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Better World Books and the Triple Bottom Line

Better World Books uses the power of business to change the world. We collect and sell books online to donate books and fund literacy initiatives worldwide. With more than 8 million new and used titles in stock, we're a self-sustaining, triple-bottom-line company that creates social, economic and environmental value for all our stakeholders.

— www.betterworldbooks.com

It was almost time to present. Mike Miller, chief executive officer (CEO) of Better World Books (BWB), reflected on how much the company had changed during his short tenure at the company's helm. He had successfully helped Better World Books develop its operations in his previous role as senior vice president of operations, but knew he had his hands full in guiding BWB toward maturity from its headquarters at the BWB corporate campus in Atlanta.

BWB was founded as a "B corporation," one that is committed in its incorporation documents to meeting a triple bottom line of financial, social, and environmental performance. While traditional firms focus primarily on satisfying their shareholders, BWB recognizes that it has a responsibility to all stakeholders, including its employees, literacy partners, and "Mother Earth." Over the past few years, BWB has grown significantly, from a small niche player frequenting college campuses to one of the most widely recognized social-entrepreneurship firms in the United States. As testament to its success, the company generated over \$80 million in revenues for 2014 (see **Exhibit 1**). It has also raised over \$18 million for literacy and saved over 150 million books from going to landfills.^{1, 2} Although BWB has successfully scaled to its current size, and investors are happy with the firm's performance thus far, there were concerns as to how BWB would ensure future growth and continued triple-bottom-line results.

As Mr. Miller surveyed the crowd of students filling the auditorium to attend Georgia Tech's IMPACT Speaker Series, he wondered how BWB's transition from a start up to a mature company would affect growth and the expectations of investors and stakeholders alike, if at all.³ He was acutely aware of the growing competition in the online book market, both from companies like Amazon and eBay and from individual booksellers who now populate such online marketplaces. Similarly, the supply of used, printed books that BWB intrinsically relied on for donations was set to shrink due to the increasing popularity of e-books and e-readers like the Kindle. Was the company set to adapt to the changing market and changing leadership? Would the necessary adjustment be at the expense of its triple-bottom-line approach or the company growth? Collecting his thoughts, he again began to mentally run through his talking points.

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BWB's History, 2003–2014

INCEPTION

As students attending Notre Dame University, Xavier Helgesen and Christopher "Kreece" Fuchs dreamed of jumping on the Internet bandwagon. In 1999, they developed a user-generated content application in which students could post teacher evaluations. The application quickly spread to other universities. Unfortunately, the dot-com bust halted their plans, and the pair was forced to sell the company at only a small profit.

Once again searching for a way to make some money, Fuchs and Helgesen went to sell their old textbooks to the campus bookstore. They left disappointed when the bookstore offered no more than a few dollars to buy back books that had cost them over \$150. Believing that the books were worth significantly more, they decided to reach out to a wider audience and listed their books for sale on the Internet. Much to their delight, the pair found that Internet customers were willing to pay much higher prices: Books for which the bookstore was not offering even a dollar were selling for \$50 online!⁴ Eager to take advantage of this business opportunity, they asked their friends for their old textbooks and sold those as well.

Realizing that they could use the Internet to create a market connecting sellers and buyers of used books, Fuchs and Helgesen began to search for more inventory. Their first project was a book drive to benefit afterschool reading programs at a local community learning center. Their motive was twofold: They genuinely wanted to give back to their college community, and they recognized that people were usually more willing to contribute when a charitable cause was involved. They collected 2,000 books in just a few months and raised \$20,000, splitting the funds evenly with the community center.⁵

Encouraged by their initial success, Fuchs and Helgesen decided to take their idea to the next level. With the help of classmate Jeff Krutzman, who had experience in investment banking and finance, they drafted a business plan. The venture they envisioned had built-in social and environmental components. By sourcing used books through book drives and selling them online, they could not only generate profits but also raise funding for literacy and education programs. At the same time, they would be keeping old books out of landfills and thereby helping the environment. Building on their community-center experience, they sought to form partnerships with worthy and appealing causes that people would be willing to support through book donations. Xavier boasted, "Social and environmental responsibility is the core of the initiative—it's in our DNA."⁶ Their idea won as "Best Social Venture" at a Notre Dame University business-plan competition, netting the young entrepreneurs \$7,000 in startup capital.⁷ David Murphy, one of the competition's judges, saw great potential in the idea which they had named Better World Books, and he offered to advise the trio as they continued to build their business. His expert guidance led to his eventual nomination as CEO and president of the young company.

EARLY GROWTH

The eager entrepreneurs expanded their book drives to university campuses nationwide, partnering with student groups who received a small royalty payment for each book collected. The incentive for student groups was threefold: get students involved in a good cause, raise money for their student organization, and help fight global illiteracy. BWB benefited through access to increased inventory.

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Soon, other opportunities emerged. After discovering that libraries had millions of excess books, BWB decided to make them an attractive offer:⁸ They could donate used books to BWB, which in turn would use the proceeds to support both the donating libraries and world literacy programs. Libraries already had a system in place to deal with unwanted books—by holding book sales (“yard sales”) and community giveaways, and then hauling the leftovers to landfills. David Murphy, the CEO at the time, explained how they managed to convince libraries to send their books to BWB instead: “We don’t want to compete with your yard sale, but you are missing a huge opportunity to create revenue by not selling online.” The company now gets more than half of its revenues from ex-library books. One important advantage to libraries as an inventory source is that the supply is much less seasonal in nature. By 2014, BWB had received books from more than 2,300 college campuses and 4,000 libraries across the United States, Canada, and United Kingdom.⁹

The company also cultivated strategic partnerships with bookstores in order to increase its product offerings and access to consumers. For example, in 2009 BWB partnered with Alibris, the largest independently owned and operated marketplace for sellers of new, out-of-print, rare, hard-to-find, and used books. Alibris’ website featured over 100 million items, while BWB carried around three million. The partnership made Alibris’ vast inventory available through the BWB website, giving BWB’s customers access to a much wider selection of both new and used books. At the same time, Alibris listed BWB’s inventory on its own website, increasing BWB’s customer base. The alliance has been very successful: within the first six months, Alibris’ independent sellers netted \$1.5 million in sales on BetterWorldBooks.com.¹⁰ Similarly, BWB reached an agreement with Powell’s, an independent bookstore carrying both new and used books, to sell books that Powell’s could not keep due to space constraints. BWB helped Powell’s create shelf and inventory space by taking over the shipping costs and providing a generous percentage of revenues. The deal was attractive to both companies, as they have different but complementary customer bases and sales channels. Books sold through BWB but sourced from one of its more than 20 online partner companies follow the same revenue distribution model as the books in BWB’s internal inventory.¹¹ Affiliates receive between 5 percent and 8 percent of every sale they refer to the BWB website.¹²

As a result of the company’s efforts to increase in scale, inventory grew exponentially from 92,000 books in 2003 to over 8 million in 2013.¹³ Revenues doubled every other year with a total revenue growth of 120 times the starting value in the company’s first 10 years of operations (**Exhibits 1 and 2**).^{14,15} The company currently processes more than 1 million books a week, selling 25,000 books daily, and it is one of the top three online sellers of used books in the world.¹⁶ Roughly 25 percent of BWB’s book sales take place through its proprietary website, which the company launched in 2008.¹⁷

PRODUCT DIVERSIFICATION

As BWB moves into a more mature stage of corporate development, it has started to pursue economies of scope as well as scale. While print books remain the company’s main focus, it now offers more than 25,000 new and used audiobooks for sale on its website. BWB has also initiated an e-book program in response to customer demand and carries about 5,500 titles in stock for use with iOS, Android, and laptop/desktop readers. However, BWB e-books are supported by neither the Amazon Kindle nor the Barnes & Noble Nook devices, which severely limits BWB’s growth in this market segment.

Additional product expansions include approximately 20,000 new or used traditional and digital games, as well as a limited selection of new or used movie DVDs and music CDs (approximately 1,000 each).

Social Entrepreneurship as a Business Model

Entrepreneurship describes the process by which people undertake economic risk to innovate—to create new products, processes, and sometimes new organizations. Entrepreneurs innovate by creating new business opportunities and then assembling the necessary resources to exploit them.¹⁸ BWB represents a form of *social entrepreneurship*,¹⁹ which involves generating value to society and thereby enhancing social wealth.²⁰ BWB's social emphasis is evident in its mission statement, which describes the company as "a global bookstore that harnesses the power of capitalism to bring literacy and opportunity to people around the world" (see Exhibit 3).²¹

As is common for many social entrepreneurship firms, BWB evaluates its performance based on a *triple bottom line*. The first pillar of a triple-bottom-line company is the traditional *economic* value created, which is measured using standard financial and accounting tools. The second pillar is a *social* commitment to business practices that promotes the interests of the firm's full array of stakeholders. In BWB's case, the stakeholders include employees, readers around the world, and local communities. The third pillar is an *environmental* commitment to sustainable business practices.

BWB was incorporated as a "B corporation" (benefit corporation) to signal the company's commitment to economic, social, and environmental objectives (see Exhibit 4). The B corporation is a new form of business that voluntarily submits to external audits to ensure that the company's business practices promote the interests of all relevant stakeholders.²² The B Impact Rating System is a management tool to help companies assess their impact on each stakeholder and improve their social and environmental performance.²³ Maryland became the first state to officially recognize B corporations in 2010. By 2014, 27 states had enacted legislation on behalf of benefit corporations, and another 14 states were considering similar legal protection (see Exhibit 5).^{24, 25} While the more traditional S and C corporations confer official IRS tax status, B corporations do not (yet). However, supporters of the B corporation concept are working hard to provide tax benefits to its members, with the first official tax incentive signed into law in Philadelphia in 2009.²⁶

ECONOMIC PROFITABILITY

BWB is a for-profit company; this was an intentional choice by its founders, who believed that a business model provided greater assurance of long-term survival than did pure charity.²⁷ Money raised through book sales is split three ways:

1. A fixed percentage of the net revenue is paid to the donor, based on the specific books sold. Libraries typically receive 15 percent of the net sale price of any books they consign through BWB.²⁸
2. The company makes a "social profit margin" of approximately 7 to 8 percent from each used textbook it sells, all of which is reinvested in the company.
3. Another 5 percent of net sales goes to one of BWB's major nonprofit literacy partners, selected by the donor (Books for Africa, National Center for Family Literacy, Room to Read, and Worldfund).^{29, 30} Importantly, the literacy partners receive their designated share of net revenues regardless of whether the company earns an economic profit in that time period or not. This arrangement provides them with a reliable source of income.

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BWB has never paid economic distributions to company owners or employees.³¹ It was estimated that BWB achieved a positive EBITA by the end of 2010, and it will exceed \$100 million in the near future.^{32, 33}

The company's other major economic impact has been through the creation of more than 365 full-time jobs with health care and other benefits. The account management team is based in Alpharetta, Georgia, with a technology and operations team in Mishawaka, Indiana, and warehouses in Mishawaka and Edinburgh, Scotland. The Mishawaka warehouse was previously an abandoned packaging plant in an industrial center that was hit hard by the decline of the U.S. automotive industry.³⁴

In 2009, BWB took an innovative step to make sure that its nonprofit partners would share directly in its economic success. Books for Africa, Room to Read, Worldfund, the Robinson Community Learning Center (the site of BWB's very first book drive), and the National Center for Family Literacy each received stock-option grants, making them partial owners of BWB. Orchestrated through Good Capital, a social equity investor, BWB set aside a 5 percent (combined) ownership stake for these five, as well as other potential future literacy partners. Subsequent grants will be in the form of performance-based options based on two metrics: (1) the ability of the nonprofits to achieve their own internal objectives for literacy and educational improvements, and (2) their effectiveness in promoting the collection and sale of books through book drives for BWB.³⁵ More recently, other partners have been added to the list of non-profits sharing the companies economic success, namely Open Books, The Prison Book, and Ride for Reading.³⁶

SOCIAL COMMITMENT

BWB's second objective is to confer social power by promoting literacy and education through its network of nonprofit partners. On the company's web page, a money meter counts the amount raised for global literacy. As of November 2014, the meter stood at more than 15 million donated books and \$19 million in funds raised; of this amount, \$8.6 million was provided to over 80 literacy nonprofits and \$9.5 million was given to libraries (see Exhibit 6). BWB anticipates reaching a cumulative \$25 million in direct funding to its literacy partners in the next few years.³⁷

In addition, BWB has donated \$3.6 million to college organizations that run book drives. These organizations have collected more than 45 million books, many of which have been sent at no charge to organizations such as Books for Africa, the National Center for Family Literacy, and Feed the Children.³⁸ Nonprofits can also apply for grants from the Literacy and Education in Action Program (LEAP) to fund local initiatives aimed at ameliorating global poverty through education.³⁹

BWB provides detailed data to make the case for literacy as a legitimate social cause. Globally, 781 million adults, 64 percent of whom are women, are illiterate. In the United States, 30 million adults have literacy-skill deficiencies. Of the world's illiterate population, 73 percent lives in Asia. In Africa, 42 million children do not attend school; in Latin America, most children go to school for an average of only 5.4 years.⁴⁰ There is a clear correlation between poverty and illiteracy. The consequences of illiteracy are tremendous: literacy is the foundation for respect, opportunity, and personal development.

BWB has received numerous accolades in recognition of its social efforts. The company took first place in *BusinessWeek's* 2009 survey ranking the "Most Promising Social Entrepreneurs," receiving 36 percent of the vote and outscoring the second place honoree by a wide margin.⁴¹ *Fast Company* magazine called BWB a "social entrepreneur who is changing the world," and *Time* magazine in September 2009 listed the firm as one of the "Top 25 Responsibility Pioneers."⁴²

ENVIRONMENTAL COMMITMENT

As a B corporation, BWB is also committed to protecting the environment through sustainable business practices. The company's core operation is collecting and reselling used books, thereby prolonging their circulation life. By focusing on the reuse of an existing product, BWB eliminates the need for additional raw materials and production waste. Books that cannot be sold are channeled through the literacy partners to build libraries or equip schools in developing nations. Any books unsuitable for donation are recycled. BWB estimates that it has reused or recycled over 216 million pounds of books, equating to over 153 million books. In addition, BWB builds the shelves in its warehouses using old metal shelving from libraries across the nation. It has already reclaimed more than 900,000 pounds of metal shelving that would otherwise have ended up in landfills.^{43, 44}

BWB believes in maintaining a neutral carbon footprint for all of its business activities. A few cents from every customer transaction goes to support wind-energy projects. Because the U.S. Postal Service uses less energy per package than any other carrier, BWB also offers an eco-shipping option that utilizes local post offices whenever possible. The company has worked closely with Sustainable Business Consulting to determine its carbon inventory, and it has partnered with 3Degrees to determine the appropriate amount of carbon offsets to balance its shipping and all other operations. CarbonFund uses these donations to fund third-party projects (planting trees, developing clean energy sources, and so on) and then retires the carbon credits created by the projects.⁴⁵ BWB estimates that it has offset 44,000 tons of carbon on all BetterWorldBooks.com shipping.^{46, 47, 48}

The company's environmental efforts have not gone unnoticed. BWB received the EPA's WasteWise Gold Award for Paper Reduction in 2009, and the WasteWise Gold Award for Climate Change in 2010.⁴⁹ In 2011, the EPA recognized BWB as the Small Business WasteWise Partner of the Year.⁵⁰ To ensure that its efforts to protect the environment continue well into the future, BWB has created a full-time management position dedicated solely to sustainability. The company's 2014 B Impact Report on its environmental and social performance is provided in Exhibit 7.

The Online Used-Books Industry

The foundation of the online used-book industry dates back to 1995, when Amazon.com chose books as the first products to be sold on its e-commerce website.⁵¹ Amazon concentrated its operations on selling new copies of books, which it kept stocked in vast inventory warehouses that totaled 11.8 million square feet in North America alone.⁵² Since its early days, Amazon has added a wide variety of other products (music, toys, clothing, jewelry, video games, and so on) and services (customer ratings, recommendations, Prime shipping, and others) to its online offerings. Maintaining such a wide variety of books and other media in stock proved to be a costly strategy, so in 2001, Amazon opened its online marketplace to third-party vendors, vastly increasing its available inventory. In return for a referral fee and either a per-item or flat monthly access fee, outside vendors could list their products for sale through Amazon, and they could elect whether or not to have Amazon pack and ship their orders for them. This created an unprecedented opportunity for used-book sellers, who previously were limited to customers in their store's local geographic area.

Half.com was actually the first company to develop the idea of an online used-books market. It began in 1999 by offering a fixed-price platform for selling used media including books, recorded music, movies, and games online. Sellers could list both used and new items for free on the website

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but were required to pass on up to 15 percent (depending on the selling price) of the proceeds to Half.com once the sale was completed.⁵³ Users could search the website's contents using several methods, including an item's title, author, keywords, and International Standard Book Number (ISBN). Search results listed the current inventory available for sale, organized both by condition (New, Like New, Good, and Acceptable) and by best price in each condition category. When listing an item, sellers had access to statistics such as the price of the last such book sold and the average list price based on condition. Within a year of its launch, Half.com was acquired by eBay for approximately \$350 million.⁵⁴ In 2007, Half.ebay.com had 9.5 percent of visits to bookseller websites, second only to Amazon.com, which had a 62 percent share.⁵⁵

Alibris started in 1998 as a marketplace portal for independent sellers of new and used books, music, and movies. Sellers pay a fee to join, an annual membership fee, and various other sales-based charges in order to have access to the Alibris marketplace, library sales channels, and a host of other partner sites, including Amazon.com, Half.com, eBay, and Better World Books (see **Exhibit 8** for other outlets). Other services that Alibris provides include market-intelligence data to assist with item pricing, online inventory management, and a sales notification system.⁵⁶ In 2010, Alibris merged with Monsoon Inc., a marketplace-selling services company, further enhancing its online sales capabilities.⁵⁷ Alibris offers more than 100 million books for sale to its customers through its network of 15,000 independent sellers.⁵⁸

Later entrants into the online book-selling industry include Half Price Books, which launched its own web store, HPB Marketplace, in 2011. The site is expected to provide HPB's customers with access to an online inventory of more than 120 million book, movie, and music titles.⁵⁹ Chegg.com, which started out as a textbook rental website, has also expanded into new and used textbook sales. Chegg's differentiating feature is that it offers students the option of renting textbooks at a discounted price for a specified time (e.g., semester, quarters, 60 days, and so on). In a search, rental prices were one-fifth of the sale price of a new finance book and about one-third of the price for a new strategic management text. For students who need a textbook for a single course, renting is an attractive option because it can save the student hundreds of dollars each semester. Book rental services also address environmental concerns, as a textbook may be utilized by several students before the end of its circulation life. To further underscore its environmental commitment, Chegg partners with the American Forest Global ReLeaf Foundation to plant a tree for every textbook rented.⁶⁰ More recently, Chegg has begun to extend its services to universities through an in-store textbook rental solution. They place an electronic kiosk inside the school's bookstore that enables students to search for a given textbook on Chegg's database, and then it is delivered to the bookstore for student pick-up.⁶¹ Chegg went public in late 2013, and in August 2014, partnered with Ingram Content Group to outsource textbook storage and shipping towards remaining competitive with Amazon, which now has its own textbook rental offering.⁶²

With dozens upon dozens of websites listing the same book for sale or rent, competition in the used-book industry has become fierce. Search tools (such as directtextbook.com and dealoz.com) and aggregate marketplaces (such as Amazon and Alibris) provide price comparisons at the touch of a mouse, pitting vendors against each other and forcing prices downward. A search for a textbook on Amazon.com, for example, returned 43 hits with copies of varying conditions. BWB's listing placed tenth overall in terms of price and fourth among vendors with books in good condition. A company called "goodwillbooks" had the same exact textbook selling for \$40 less, while other companies were selling better-quality copies for less than the \$153 that BWB was asking.

Meanwhile, the traditional printed book industry is facing challenges from technological advances that threaten to disrupt existing business models for new and used books alike. Amazon, Apple, HP,

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RIM, and Sony, among others, have all developed electronic book (or e-book) readers, and their popularity is mounting quickly. Kindle sales were estimated at 20 million units in 2013, while Apple sold 68 million iPads in the period October 2013 to September 2014.^{63, 64}

Ongoing price wars among the different e-book sellers have placed downward pressure on prices, which in turn has led to increased demand. Amazon reported that e-book sales for its Kindle outstripped printed books for new releases for the first time ever in 2010. As e-books continue to gain in popularity, they not only constrain print-book margins (e-books typically sell for \$9.99, significantly less than the price of a new hardback) but also decrease the eventual supply available to used-book merchants such as Better World Books.

Future Growth for BWB

The future growth of BWB in this competitive marketplace depends on how well it can transition to a mature going concern, which in turn is dependent on how the company manages its supply chain, internal operations, and brand image.

SUPPLY CHAIN

BWB has an advantage over its competitors because it builds its inventory through donations. However, in order to grow the business, Mr. Miller knows that BWB must continuously expand its donation sources. To date, the company's two main sources of donated books have been campus book drives and libraries.

- Through BWB's campus collection program, called "Book Drives for Better Lives," local organizations have put together book drives on more than 2,300 colleges and universities. These activities remain an important source of inventory. BWB provides free advertising supplies and book collection bins to the sponsoring student organizations, which collect and pack up the books for shipping to BWB. BWB covers all costs including shipping; students receive a flat fee for each accepted book and also get to pick which nonprofit receives the associated donation. Competition for student textbooks has tightened significantly in the years since BWB first started its campus program, however, and remains seasonal in nature (based on the academic calendar).⁶⁵
- BWB instituted its Library Discards and Donations Program in 2004, through which over 3,000 U.S. libraries have donated books they can no longer keep or shelve.⁶⁶ Again, BWB covers all costs including shipping, while the libraries and a nonprofit literacy program of their choice each earn a percentage of net sales. BWB makes payments on a quarterly basis or holds them until a minimum of \$50 accrues as payable commission.⁶⁷

To supplement its inventory, BWB has also started to develop other supply channels, described more fully in the bulleted list that follows. Still, with the increasing competition for existing used books and the likelihood of a decline in supply as e-books become more popular, Mr. Miller wonders if the firm has cast a broad enough net to support its present and future inventory needs.

- Through its Reuse First for Booksellers Program, independent booksellers send their surplus inventory to BWB at no cost or obligation. BWB provides all necessary materials and shipping free of charge, plus it gives the vendor (and the designated nonprofit) a percentage of the commission.⁶⁸

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- BWB pays for college, corporate, and municipal recyclers to package and ship books by the ton to its warehouse for sorting.⁶⁹
- BWB has reached out to community and business groups with an initiative called the Great American Book Drive, to assist them with conducting book drives to benefit literacy programs.⁷⁰ Unlike BWB's regular sources (college campuses, libraries, and booksellers), the community and business groups do not get a share of the proceeds. A recent effort organized by Open Books in Chicago netted over 25,000 books.⁷¹
- Individuals are also invited to donate books, either via postal service or by dropping them in a collection bin (see the map in Exhibit 9). BWB pays for shipping if three or more books are donated at one time.⁷²
- BWB has created a portal for selling textbooks on its website, where individuals can type in the ISBNs for their books and get an instant quote for the amount that BWB is willing to pay, as well as the amount to be donated to the person's choice of nonprofit.⁷³

INTERNAL OPERATIONS MANAGEMENT

As part of its triple-bottom-line philosophy, BWB operates on very narrow margins and, therefore, needs to carry out all of its business activities in as lean and efficient a manner as possible. BWB has already invested \$3 million to develop customized software to manage its inventory and track market data. Labeled "Indaba" (which means coming together to do business in Zulu), the in-house proprietary algorithm determines whether a book still has market value and can be sold, if it is a suitable donation for a nonprofit partner, or if it needs to go to recycling. If the book has market value, the algorithm assigns a sale price based on real-time market data, and BWB simultaneously posts the books for sale on BetterWorldBooks.com and all of its market network websites. Indaba considers each website's inventory and commission structure and optimally prices the book compared to other vendors.^{74 75} Taking the process one step closer to the source, BWB also provides scanners to libraries and other donors to help them determine which books BWB can accept. This initiative has helped significantly to lower the amount of time BWB spends sorting and then recycling unusable inventory, and it assists libraries to generate local recycling revenue. BWB has recently sought to monetize the Indaba system toward helping no-profits and for-profit businesses to better manage inventory and meet their e-commerce goals through software-as-a-service offerings.⁷⁶

BWB pays all inbound and outbound expenses worldwide, so the company is continuously looking for ways to reduce its shipping costs. It tries to ship in bulk using railcars or truckloads, for both cost and environmental reasons, and has created 20 consolidation points around the country to make that possible.^{77, 78} Once BWB obtains books through donations, it sends them to its main warehouse in Indiana via UPS. UPS recognized the potential of BWB's business model early on. It offered convenient service at low cost for shipping the books, and it provided BWB's founders with credit and logistics expertise at the company's beginning, when they needed it most.⁷⁹ All outbound shipping within the United States is handled by the U.S. Post Office because of its low-carbon footprint. BWB sorts all of its outbound mail before passing it off to the postal service, which helps to keep down outbound shipping costs. Still, Mr. Perlmutter wonders if BWB's "no shipping costs" policy—one of the ways in which BWB tries to differentiate itself from its competitors—will be sustainable as the company grows over the upcoming years. To address its operational needs and transformation into a mature company, BWB has put an experienced team of senior managers in place. This includes:

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- *Mike Miller, CEO.* Mr. Miller came to BWB from SVI, where he was vice president of operations. Prior to that, he was vice president of supply chain for Klipsch Group, Inc., where he led efforts to establish a global supply chain. He maintained a role in operations upon joining BWB, where he served as senior vice president of operations for a year before becoming the chief executive officer. His expertise includes finding ways to optimize costs, minimize errors, and increase productivity. Mr. Miller holds a BS degree in management from Indiana University.
- *Christopher "Kreece" Fuchs, Co-Founder and Vice President of Logistics.* After graduating from Notre Dame with a degree in mechanical engineering, Mr. Fuchs worked briefly in the engineering and education fields. He subsequently returned to BWB to oversee the company's operations and logistics based out of Mishawaka, Indiana.
- *Dustin Holland, Vice President of Sales and Business Development.* Mr Holland was integral to BWB's launch of the company's Library Discards and Donations program in 2004, and he was largely the driving force behind the reuse or recycling of more than 150 million books that helped to generate \$19 million in contributions to BWB's library and literacy partners globally. Mr Holland also oversaw the expansion and rollout of the company's dropbox program, among BWB's largest initiatives to date. His success culminated in his promotion to his current position in early 2014. Mr. Holland holds an undergraduate degree in business and an MBA degree with a concentration in international business from Georgia State University.⁸⁰

BRAND MANAGEMENT

In addition to inventory sourcing and operations management, brand management will be central to BWB's future livelihood. One of the first steps is to increase brand awareness and build brand loyalty from a broader array of customers. The company's initial focus was on consumers who "vote with their dollars"—conscientious customers who want to support a good cause and make a meaningful impact with their purchases. They found that one of the customer groups most receptive to social and environmental causes was educated women, over 35 years old, childless, and with higher-than-average disposable income.⁸¹ Women in this target segment tend to be brand-loyal, prefer independent bookstores, and frequently buy dozens of books. Unfortunately, they are not a particularly large demographic in terms of numbers.

Most customers are not going to make purchases just to do something good for the world. To attract these people to BWB's online bookstore, the company has to offer great customer service and competitive prices to provide them with an attractive value proposition. With the influx of new competitors into the used-book market, BWB does not always have the lowest prices, so it tries to stand out by interacting with customers as personally as possible. Employees respond to customers with a personal note following the sale of each book, giving them some background on the book's journey while also expressing the company's passion and authenticity. Xavier Helgesen notes, "It's a simple way to communicate what we're about, which is being real people and not a faceless website."⁸² Thus, one of the key questions facing BWB is just how much of a price premium various customer groups are willing to pay for a "personal touch" and the satisfaction of knowing that a portion of the purchase price goes to help fight illiteracy.

The company is also facing increasing scrutiny of its social mission. On the one hand, customers question how BWB is different from all the other businesses that give part of their profits to good causes. Interestingly, BWB's response to this frequently asked question does not even mention the

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company's B-corporation status or the fact that it voluntarily submits to a rigorous external audit of its social and environmental impact every year. Rather, the company tries to distinguish itself based on its passion and the fact that its literacy partners receive financial support regardless of whether the company earns an economic profit:

We love books. And we believe deeply in the power of the written word to change lives and transform our world. What makes Better World Books unique is the way in which the social costs are built into our business model. We pay our literacy partners their committed share of our revenues regardless of whether an economic profit is actually earned for a specific time period being measured.⁸³

Other potential customers seem more concerned that the company is "profiting off of other people's charity and donations." BWB's response to this challenge is as follows:

As a for-profit social enterprise we do make money on the books we collect and sell. And we are OK with that fact because we believe there is value in the service we provide. Not only do we find new homes for millions of used books that might otherwise end up in landfills, we also donate a significant portion of our profits to support the work of our literacy partners, and dozens of other nonprofit organizations around the globe. Our model proves that it is possible to do good and do well at the same time. To date, every dollar of profit the company has ever made has been re-invested in the company. There has never been an economic distribution/dividend of any kind to any of the owners or employees of Better World Books.⁸⁴

Both the fact that the question comes up so frequently and the nature of BWB's response suggest that the notion of a "triple bottom line" is not yet well understood by the North American consumer base, where the tax code makes a strict distinction between for-profit and not-for-profit businesses. Compared to its for-profit competitors, BWB faces significant additional expenses due to its social and environmental commitments. At the same time, the company's economic mission means that significant revenues are plowed back into business development, as opposed to maximizing its social impact (which is the goal of its purely nonprofit counterparts). In the most negative light, detractors have accused BWB and similar companies of manipulating perceptions of their social activities for their own personal and economic gain. Clearly, BWB has significant public relations work to do if it is to dispel the for-profit/not-for-profit distinction as a false duality and to promote the synergy that can be attained by serving the needs of multiple stakeholder groups simultaneously.

To address these concerns, BWB hired John Ujda as its vice president of marketing and chief literacy officer. Mr. Ujda is responsible for managing the company's revenue-generating activities as well as its social impact on literacy and education. He holds undergraduate degrees in computer engineering and Spanish from the University of Notre Dame and an MBA from the Goizueta Business School (Emory University). His work experience includes stints as vice president of product management at both Primedia and EarthLink, as well as 2.5 years teaching high school students with the Peace Corps.

Mr. Ujda has his work cut out for him, as BWB spends about \$120,000 on its annual marketing initiatives, but historically has spent little on marketing (particularly during its formative years). Yet, BWB has been able to organize big book drives, team up with global nonprofits, and collaborate with libraries without a large marketing department or organized marketing campaigns. Helgesen admits: "We have grown on a very scrappy budget," and continues, "we are not going to out-market Amazon or Barnes & Noble. So we differentiate ourselves by our interaction with customers."⁸⁵ Instead, BWB has relied extensively on word of mouth, viral networks, and more recently, social media. Online channels such as Facebook have been quite helpful in spreading the word (as of November 2014, BWB's Facebook profile had over 120,000 followers).⁸⁶ BWB's social media presence is set to become focal as

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the company seeks to streamline its marketing spend. However, the effectiveness of BWB's viral network, however, depends on its ability to maintain its relationships with partners and customers, online and off—which is a time- intensive and people-intensive process.

Challenges Ahead

While rearranging his bottle of Dasani water, Mr. Miller glanced over his presentation notes outlining BWB's aims for the next two years. Given the increasingly competitive landscape, he could not help but wonder implications of the ever-increasing popularity of e-books and online retailers on the company's bottom line. BWB sought to pay back the A series of funding it had received during its start-up phase, but this would certainly rely on company growth over the short to medium term. Long term, the company sought to build its capabilities for the future, and in particular expand its logistics capabilities in order to benefit from scale. At the same time, there was a planned review of the locations in which BWB had a presence—both in terms of dropboxes and library partners. With the expectations of growth by investors in conjunction with the expectation of triple-bottom-line success by BWB stakeholders, Mr. Miller wondered if the new BWB leadership in place had the ability to execute on these short- and long-term goals, while managing the dynamic between investors and stakeholders. After all, the company was looking to professionalize itself towards the transition from a start up to a more mature company, which required an entirely different type of leadership.

Gazing at the student attendees in the university auditorium, he stepped up to begin his address, wrestling with the familiar questions that had again crossed his mind: How should the company achieve its growth objectives? How can BWB remain relevant and competitive in the book retail market? How can the company stave off the effect of declining book donations in the face of increased attention to its triple-bottom-line approach to business? And could the company manage the apparent tension between company growth and triple-bottom-line success in the midst of a maturing company with new leadership?