

## **NORTHLAKE BOOKSTORE CASE**

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### **ABSTRACT**

The major business problem facing the Northlake Bookstore Manager, Wendy Wiley, concerned the performance evaluation of the Bookstore, using the balanced scorecard format required by Northlake University. She needed to construct this balanced scorecard report for her upcoming presentation to her boss, Chuck Irwin, the Vice-Chancellor of Finance. For the first time in her seven years as the Bookstore manager, Fall quarter sales and profits had decreased from the prior Fall quarter. Wendy found that this sales decrease was due to both the students' additional usage of online textbook vendors and the professors' additional usage of online textbook publishers.

### **INTRODUCTION**

In September 2004, Wendy Wiley, the Northlake Bookstore manager, was considering the implications of a shocking development. For the first time in her seven years as the Bookstore manager, current Fall semester textbook sales had decreased from the prior Fall semester sales. The sales decrease was more than \$180,000, amounting to 3% of annual textbook sales. Naturally, Wendy wanted to address this problem before it got worse. She found that this sales decrease might be due to two emerging technology problems, possibly of equal magnitude: 1) the students' increasing use of online textbook vendors, and 2) the professors' use of online textbooks, obtained directly from the publishers.

Wendy reported the bad sales news to her boss, Chuck Irwin, the Vice Chancellor of Finance at Northlake University. After commiserating with her, Chuck told her that he was not surprised by this sales problem and that she should consider how to deal with these emerging technologies in her next balanced scorecard report. He wanted to discuss the situation at their meeting next week, which was the annual review of the Bookstore's performance for the prior fiscal year 2004 (July 2003 through June 2004). The balanced scorecard was required by Chuck for the annual review of all the non-academic departments under his management.

To add further gravity to the importance of this sales decline, the Northlake Chancellor, Doug Brown, had directed Chuck to find ways to improve the efficiency and profitability of all University support functions and departments under his management, which included the Bookstore. The goal was for each support department to either break even or produce a small profit margin to help Northlake University maintain its overall break-even level of financial operations.

Northlake is a private university, located in a major metropolitan area in the Midwest, with an annual enrollment of 12,700 students, mostly undergraduates. Northlake is quite dependent upon student tuition, which typically accounts for 60% of its total revenues. However, the Chancellor is concerned because donations and gifts to the University were down, possibly due to uncertain economic conditions

and erratic stock market performance.

Prior to becoming the Northlake Bookstore manager, Wendy had spent fifteen years in retail sales, most recently as a Wal-Mart sales manager. She is an outgoing, supportive individual who really likes being a retail sales manager and enjoys working with her employees. She strongly believes in continuous improvement of any sales department that she manages. Despite her extensive retail experience in the for-profit sector, this was her first experience working in an academic environment. Wendy occasionally becomes frustrated working with faculty due to their late or inaccurate book orders. However, she likes helping students and enjoys working in an academic environment without Wal-Mart's pressures of aggressive sales and earnings targets.

### **FINAL THOUGHTS**

Wendy realized that she had a significant amount of financial information to use in the Bookstore's annual performance review. She also knew that the balanced scorecard was a powerful tool for such performance evaluation. She thought that these analyses could help develop strategies for dealing with the threat of emerging technologies to the Bookstore's business model.

She realized that she had a significant amount of work to do in order to analyze all the available historical and benchmarking information. She hoped to include such information in the Bookstore's three balanced scorecards of service excellence, operating efficiency and inventory management. She knew that she had to quickly develop these three balanced scorecards for her upcoming meeting with Chuck and the Chancellor.

### **SPECIFIC TEACHING OBJECTIVES**

This decision-based case was written from the view of the Bookstore manager who must make decisions concerning the various problem areas for the upcoming meeting with her boss. The students take her role with the following tasks and teaching objectives:

- a. Do a benchmarking analysis of the Bookstore's 2004 income statement, five product lines, and financial performance measures, using the National Association of College Store's (NACS) benchmarking information. Identify performance gaps between the Bookstore results and the NACS averages.
- b. Develop the three required balanced scorecards for the Bookstore's annual performance evaluation. Be sure to include results from the various benchmarking analyses. Recommend what additional data the Bookstore should be collecting for its balanced scorecard.
- c. Based upon your benchmarking and balanced scorecard analyses, make appropriate recommendations and decisions for the Bookstore.

### **INTENDED COURSES AND APPLICATIONS**

This case could be used in a basic management accounting course, in intermediate and advanced management accounting courses, and in cost accounting courses for both undergraduates and graduates. Benchmarking and the balanced scorecard are fundamental concepts both for undergraduate and graduate accounting majors and for graduate business students. Students should find the case very interesting with these challenging issues, especially in these turbulent times of rapidly changing

technologies.

The key concepts of benchmarking and balanced scorecard evaluation systems can be reviewed from a managerial accounting textbook, prior to the assignment of this case. Alternatively, the instructor could cover each of the concepts separately and assign appropriate case requirements. The students would have the familiarity of using the same case, assigned one or more times over the entire course. This case should enhance students' abilities for applying judgmental, analytical, diagnostic and evaluative skills as they make decisions.

## REFERENCES

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