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NEW MONEY

Success through subsidiaries

By Andrew S. Lang

In our association world, where business skills are so often in short supply, it is a pleasure to come across an association that has its act together.

The National Association of College Stores, located in Oberlin, Ohio, has developed its business operations with considerable sophistication and finesse. Based on these capabilities, NACS is planning to significantly increase its employment in the next three years and also substantially expand its physical plant—a clear economic success story in today's recession-challenged environment.

NACS is now the third-largest employer in Oberlin. And since the two larger employers are a college and a federal agency, NACS is also Oberlin's largest taxpayer, due to substantial amounts of UBIT.

So what are the economic engines of this interesting association? I addressed the question to Brian Cartier, CAE, CEO of NACS and its related entities. Brian's multifaceted reply: "It is due to a very entrepreneurial nature, combined with our determination to continue increasing service to members, while being a good corporate citizen." He went on to note that "as a result of our success in generating unrelated business income from our fully owned subsidiaries, NACS has not had to increase its dues since 1990."

According to Frank Sulen, the chief financial officer of both NACS and its for-

profit subsidiaries, "There are two principal elements to our growing economic strength. The first, and most successful, is called PartnerShip and is better known among the members as the NACS freight program. It works by combining the purchasing power of our small and midsize business members so they get far better transportation deals when shipping and receiving their inventory. NACS, of course, gets a small piece of the action."

Once the PartnerShip program was solidly up and running, Frank says that NACS expanded the program's availability to associations whose members spend significantly on freight. "In these cases, not only does the member save, but their association also reaps a share of the benefit."

I was quite impressed by the fact that PartnerShip alone provides more than 50 percent of the NACS group's overall operating-budget gross revenues, while the operation itself maintains a profit margin of nearly 20 percent. They are achieving these results while going head to head with a variety of for-profit competitors.

While the freight program is an important source of income, another NACS subsidiary displays even more remarkable competitive business skills. That activity operates under the name "NACSCORP" and specializes in fulfillment operations.

According to Frank, "NACS developed its fulfillment service and distribution center in order to service our bookstore membership. Essentially, publishers would ship inventory

to us, and we would ship requested publications to our members. Due to the size and complexity of the physical plant and the challenging IT requirements, this activity was undertaken more as a service to our members than as a profit center."

Despite the fact that NACSCORP was expected to break even at best, Frank says that once it was up and running the fulfillment activity began to consistently yield a five percent gross-profit margin. He notes that several years ago, NACS developed a strategic initiative to leverage its competency in fulfillment, as well as its knowledge of associations, by offering this service to other associations. Since that time NACS has competed for the business of a number of associations and has staffed up to sell its services to many more. Here again, NACS is successfully competing with better-funded and fully automated for profits.

I asked Brian how his organization has managed to do what few other associations have been able to achieve. His response was telling: "We have struck a fine balance by making a fair and reasonable profit, while serving our members and others in the association community. We work hard continuously to develop and refine our skills in order to be able to successfully compete. And we treasure our position as a cornerstone in our community."

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NACS AND ITS SUBSIDIARIES

NACS: The professional trade association representing the collegiate retailing industry.

NACSCORP: Founded in 1963 as a for-profit wholesale distributor and retail services provider; offers textbooks and trade books as well as seasonal merchandise and supplies to both college bookstores and independent booksellers.

PartnerShip: Launched in 1989 to provide discounted freight service as a NACS member benefit; today serves as an independent third-party logistics management company for more than 16,500 small- and medium-sized businesses.

NACS Media Solutions: NACS' newest subsidiary (founded in 2008); an electronic hub for digitally delivered products and services for the college-store industry.

NACS Foundation: The charitable arm of NACS, supporting research and education.