

The Cost of College Textbooks

This IPRO report examines the high price of college textbooks and the recent state and federal legislation in this area. In recent years there have been many studies that examine textbook prices.¹

Textbook Market

The new college textbook market is a large and complex system involving publishers, bookstores, faculty members, and students. It is further complicated by the large market for used textbooks. The following section highlights some of the complexities of the market.

Publishers and Wholesalers

According to the Association of American Publishers (AAP) one reason for the high price of textbooks is that many of the books sold are used. Publishers do not receive any revenue when bookstores sell used books that they have purchased from students and wholesalers. What this means is that publishers have to recover all of the money that is spent up front on the development and production of textbooks from the initial sale of the textbooks.²

Other reasons that some people believe contribute to the high cost of textbooks is bundling and printing new editions. According to the AAP, publishers update textbooks frequently and include supplemental materials such as work books or CD-ROMs in order to compete with other companies to have their book chosen by faculty members. Supplemental materials are also included to provide a comprehensive learning system as opposed to just a textbook.¹

Five companies publish nearly 80% of college textbooks (Thomson, McGraw-Hill, Houghton-Mifflin, Wiley, and Pearson). According to a recent government study done by the Department of Education, this is because of existing barriers to new companies such as the need for significant capital requirements, product reputation, and contractual relationships with wholesalers, bookstores, and authors. Most publishers distribute their books using a textbook wholesaler. There are four major wholesalers that dominate the market and own or operate some college bookstores: Follet, Barnes and Noble, Nebraska Book Company, and College Bookstores of America. In addition to having an impact on the retail price of new textbooks these companies are very active with unused new books and used books. For example, they can typically buy unneeded new books from bookstores for 15%-25% of the original cost and resell them for about 50% of the original cost.³

Bookstores

According to the National Association of College Stores the typical college bookstore receives 40% of its revenue from new textbooks, 17% from used textbooks, and 43% from clothing, office supplies, and other

¹ <http://www.ed.gov/about/bdscomm/list/acsfa/kochreport.pdf>, <http://www.ed.gov/about/bdscomm/list/acsfa/edlite-txbkstudy.html>, http://www.calstate.edu/ats/textbook_affordability/documents/Textbook_Taskforce_Report.pdf

² "The Higher Education Textbook Market." The Association of American Publishers. September 15, 2006. <http://www.ed.gov/about/bdscomm/list/acsfa/txtbkpres/hochheisersup.pdf>

³ Koch, James. "An Economic Analysis of Textbook Pricing and Textbook Markets." ACSFA College Textbook Cost Study Plan Proposal. September 2006. <http://www.ed.gov/about/dscomm/list/acsfa/kochreport.pdf>

merchandise.⁴ While bookstores make more money from the sale of new books, they make more per book from used books. Recent figures show that bookstores make almost 36 cents on every dollar for used books compared to 22 cents for new books.⁵

Faculty Members

Regardless of whether publishers or bookstores are making more profit from textbooks than necessary, faculty members contribute to high prices because they are often not price conscious when choosing books for their courses. From conversations with faculty members at Iowa it seems that professors are more concerned with the quality of the information than the price of the textbook. Interestingly, much of the recent legislation, reviewed later in this paper, focuses on making sure faculty know the cost of books before selecting them. The anecdotal evidence from Iowa suggests that many faculty members may not take this information into account when assigning books.

Students

Students are the end consumer in the textbook market and they have no choice over the required textbooks. Students have no impact on the price of textbooks, but they can shop at different sources to find the least expensive required text. This has led many students to shop for their books at locations other than campus bookstores. For example, many students shop online. As our analysis later in this paper illustrates, online textbooks are often, but not always less expensive than those at campus bookstores.

Breakdown of New Textbook Costs

The graphic below from the National Association of College Stores, explains where money from the sale of textbooks goes. It gives a detailed breakdown of publisher and bookstore expenses and profits, along with author income and freight expenses.

Publisher Expenses and Profit

According to the graphic, publishers have three expenses: printing and editorial costs, administrative costs and marketing costs. The publishers make 7 cents profit on each dollar of new textbook sales. From these figures, we can estimate the percent profit publishers make from textbooks. To do this we added their expenses and profits which are 32.2 cents for printing and editorial costs, 10 cents for administrative costs, 15.4 cents for marketing costs and their profit which is 7 cents, for a total of 64.6 cents. Then we divided the profit of 7 cents by the total. When done, the calculation indicates that publishers make a profit of 10.8% on the sale of textbooks.

Bookstore Expenses and Profit

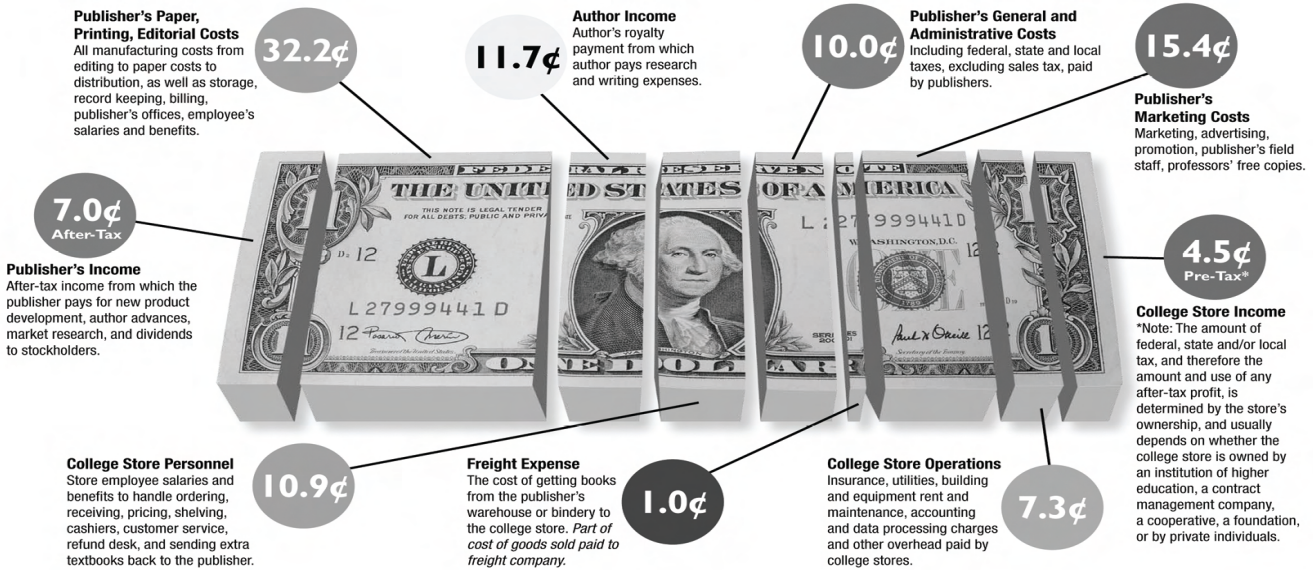
Also according to the graphic, bookstores have two expenses: college store personnel and store operations. The bookstores make 4.5 cents profit from each dollar. From these figures, we can estimate the percent profit bookstores make on the sale of new textbooks. To do this we added their expenses and profits which are 10.9 cents for college store personnel, 7.3 cents for college store operations and profit

⁴ “Higher Education Retail Market Facts and Figures 2008.” National Association of College Stores. http://www.nacs.org/public/research/higher_ed_retail.asp#market

⁵ “FAQ on Used Textbooks.” National Association of College Stores. May 2008. http://www.nacs.org/common/research/faq_usedbooks.pdf

which is 4.5 cents, for a total of 22.7 cents. Then we divide the profit of 4.5 cents by the total. When done, the calculation indicates that bookstores make a profit of 19.8% on the sale of new textbooks.

Where the New **Textbook Dollar** Goes* ...



*College store numbers are averages and reflect the most current data gathered by the National Association of College Stores. Publisher numbers are estimates based on data provided by the Association of American Publishers.

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Federal Legislation

The Higher Education Opportunity Act of 2008 was signed into law August 2008 and will go into effect July 1, 2010. The legislation requires that when a faculty member inquires about a textbook the publisher must provide information regarding the price students will pay for the textbooks and all of the forms in which the textbook will be available, such as hard cover, soft cover, unbound, and electronic. In addition, the publisher must provide copyright dates of the three most recent editions of the textbook. Publishers also must provide a description of content changes between editions. Finally, the legislation also requires that publishers selling textbooks bundled with supplemental materials make each item available for purchase individually.⁷

Legislation in Iowa

In May 2008 HF 2197 was signed into law. This legislation recommends that higher education

⁶ "Where the New Textbook Dollar Goes." 2008. National Association of College Stores. 11 Sept. 2008 <[http://www.nacs.org/common/research/textbook\\$.pdf](http://www.nacs.org/common/research/textbook$.pdf)>.

⁷ "HR 4137: The Higher Education Opportunity Act, Sec. 112" The Library of Congress. <http://thomas.loc.gov/cgi-bin/query/F?c110:6:./temp/~c110rdVCsA:e1937:>

institutions in the state post a list of required texts online at least fourteen days prior to the start of the semester.⁸

Legislation in Other States

In the past three years five other states have enacted laws dealing with the cost of textbooks: Connecticut⁹, Minnesota, Oklahoma, Oregon, and Washington¹⁰.

The laws in these states include provisions that publishers make faculty aware of the price at which the book would be sold to students and that the publishers inform the faculty of the history of revisions for the product. Three states passed additional measures.

Minnesota

Minnesota stipulates that book stores inform students of the required course material at least fifteen days before the beginning of the semester.¹¹

Oklahoma

Oklahoma prohibits textbooks from being bundled with workbooks, CD's or other accessories.¹²

Oregon

Oregon requires publishers to disclose the price of bundled items to faculty members in addition to the price of the items individually.¹³

Alternatives to Buying from Bookstores

In an attempt to cut costs of textbooks, students have begun to purchase books online. The following chart is a random sample of textbooks from The University of Iowa Bookstore, Amazon.com and Textbooks.com. New and used prices are listed from the University Bookstore and the cheapest price available from the websites. The price listed under Amazon and Textbooks.com includes the price of shipping to guarantee that the book arrives to the student in less than one week.

⁸ "House File 2197" Iowa General Assembly.

<http://coolice.legis.state.ia.us/CoolICE/default.asp?Category=BillInfo&Service=Billbook&ga=82&hbill=HF2197>

⁹ "HB 5527: An Act Concerning Textbook Affordability" State of Connecticut.

<http://www.cga.ct.gov/2006/ACT/PA/2006PA-00103-R00HB-05527-PA.htm>

¹⁰ "HB 2300" State of Washington. <http://apps.leg.wa.gov/documents/billdocs/2007-08/Pdf/Bills/House%20Bills/2300.pdf>

¹¹ "HF 1062" Minnesota House of Representatives.

<https://www.revisor.leg.state.mn.us/bin/bldbill.php?bill=H1063.2.html&session=1s85>

¹² "Measure Will Crack Down on College Textbook Costs." Oklahoma House of Representatives.

<http://www.okhouse.gov/OkhouseMedia/pressroom.aspx?NewsID=1198>

¹³ "HB 365" Oregon Legislative Assembly. <http://www.leg.state.or.us/07reg/measpdf/sb0300.dir/sb0365.b.pdf>

Course	Title of Book ¹⁴	Author	UI Bookstore New Price	UI Bookstore Used Price	Amazon Price ¹⁵	Textbooks.com Price ¹⁶
Accounting	Financial Reporting and Analysis	Resvine	\$196	\$147	\$126.99 ¹⁷	Not Available
Anthropology	Humanity	Peoples	\$66.70	\$50.05	\$68.08	\$33.25
Biological Sciences	Biology	Hoefnagels	\$146.70	\$110.05	\$124.39	\$110.00
Chemistry	Chemistry in Context	Amer Chemical	\$133.35	\$100.05	\$108.99	\$66.50
Communication Studies	Phaedrus (Trans Nehamas)	Plato	\$9.55	\$7.20	\$13.04	\$11.04
Economics	Principles of Microeconomics w/ Lab and code	Case	\$157.05	\$117.80	\$139.66 ¹⁸	\$104.55 ¹⁴
English	Harper Collins Study Bible NRSV	Bible	\$32.95	\$24.75	Not Available	Not Available
Interpretation of Literature	Norton Intro to Literature w/ 2 CD's	Booth	\$76.00	\$57.00	Not Available	Not Available
History	America's Response to China	Cohen	\$26.00	\$19.50	\$16.88	Not Available
International Studies	Dreams of Trespass	Mernissi	\$17.00	\$12.75	\$12.45	\$14.34
Leisure Studies	Leisure and Life Satisfaction	Edginton	\$114.35	\$85.80	\$77.93	\$85.80
Management Sciences	Discovering Computers	Shelly	\$166.70	\$125.05	\$98.99	Not Available

¹⁴ List compiled from the University of Iowa's University Book Store
http://www.book.uiowa.edu/ePOS?this_category=1&store=335&form=shared3%2fgm%2fmain%2html&design=335

¹⁵ Price includes an additional \$6.99 for 2-7 day shipping.

¹⁶ Price includes an addition \$4.99 for 2-7 day shipping on books under \$25. Shipping is free on orders over \$25.

¹⁷ Highlighting was added to show the lowest price option for each textbook.

¹⁸ Price is for textbook only and does not include lab book or lab code.

Course	Title of Book	Author	UI Bookstore New Price	UI Bookstore Used Price	Amazon Price	Textbooks.com Price
Nursing	Delivering Health Care in America	Shi	\$89.95	\$67.50	\$64.98	\$64.25
Philosophy	Philosophy in a Just Society	Fumerton	\$46.95	\$35.25	\$46.98	Not Available
Political Science	Dynamics of Democracy w/ American Government Reader and code	Squire	\$102.00	\$76.50	\$72.44 ¹⁹	\$68.25 ¹⁵
Sociology	Sociology Matters	Schaefer	\$40.70	\$30.55	\$33.11	\$19.25
World History	By Order of the President	Robinson	\$21.30	\$16.00	\$11.91	Not Available
Spanish	Milenio	Mujica	\$69.35	\$52.05	\$53.99	\$49.50
Mathematics	Beginning Algebra	Lial	\$126.70	\$95.05	\$88.98	\$67.25
Psychology	Psychology	Passer	\$139.70	\$104.80	\$97.98	\$93.50
Average Cost ²⁰			\$93.32	\$66.55	\$73.54	\$60.58
Number of Books Not Available			0	0	2	7

For the 20 books in our sample, students would save on sixteen of the books if they bought them online as opposed to the UI Bookstore. In two instances the necessary textbooks were not available online so students would have no other choice but to purchase these books from the UI Bookstore.

Recent Technology and Market Changes

It is important to note that recent changes in marketing and publishing are contributing to lower textbook prices. In addition to recent legislation, textbook prices may decrease in the future because of advances in e-books, open source textbooks, and book rentals. E-books give students access to online textbooks that are less expensive than buying printed books. Open source textbooks are offered free of charge online by

¹⁹ Price does not include Government Reader or code.

²⁰ Average cost only includes the prices of books that were available in all four categories.

professors that develop the books specifically for this format. More companies have started allowing students to rent textbooks for a semester instead of buying them, which is a less expensive alternative.²¹

This report was prepared in September, 2008 by the Iowa Policy Research Organization (IPRO), a non-partisan public policy undergraduate research group at the University of Iowa. For additional research on this or other issues, please visit our website at <http://www.uiowa.edu/~ipro>.

²¹ Clark, Kim. "Four Reason Textbook Costs Will Drop." US News and World Report. July 21, 2008. <http://www.usnews.com/articles/education/2008/07/21/four-reasons-textbook-costs-will-drop.html>
