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FAQ on College Textbooks

How much do students spend on course materials each year?

While this information varies based on factors such as course load and subject matter, students estimated spending an average of \$702 on required course materials during the 2006-07 academic year according to NACS' *Student Watch™ 2008* report. Required course materials can be any type of book or media required or recommended by faculty for classes. These could be new or used textbooks, regular or general books, even children's books, as well as coursepacks/readers/customized materials or digital/electronic educational materials. This amount does not include the savings achieved by students selling their used textbooks, which further reduces net costs for most students. Further, 26% of students said they usually pay for course materials with scholarships and grants during the 2006-07 academic year according to NACS' *Student Watch™ 2008* report, and that aid covered on average 45% of the costs of the course materials for those students.

For student budgeting purposes, the College Board reported that for the 2007-08 academic year estimated spending on books and supplies ranged from \$805 to \$1,229 depending upon the type of institution a student attended. Supply costs may include lab fees, course fees, computer-related expenses, educational supplies such as art and medical supplies, and other costs not included in regular tuition and fees. According to the state of California's *Student Expenses and Resources Survey* for 2006-07, supplies costs "accounted for \$582 versus \$750 for books for the average student in California."

How much does the college store make on textbooks?

For new textbooks, college stores typically obtain the books they sell directly from publishers. Publishers establish the amount they charge college stores for each title. College stores then establish a retail price (the amount a student pays for the textbook). The difference between what the college store pays for the textbook and the amount they charge the student is called the *gross margin*. This gross margin is used to cover the personnel costs, the cost of freight, and other costs related to operating the store (utilities, insurance, etc.) The average gross margin on new textbooks is currently 22.7%, according to NACS' *2008 College Store Industry Financial Report*. This margin has remained relatively constant since 1989.

After the store expenses have been paid, a college store makes 4.5 cents for every dollar's worth of new textbooks sold. In most cases, the money that is made goes back to the institution and into student programs, such as financial aid, to help defray other costs of higher education.

In the case of used textbooks, the gross margin is higher (35.9%) because they require more handling, and incur more operating expenses. They also present a higher risk to the store, because unlike new textbooks, used textbooks can't be returned if they're not sold. There's also a chance that a new edition of the textbook may make them obsolete.

How do college store margins compare to average retail margins?

It's important to remember that college stores are not traditional retailers. They are unique in that they do not select the bulk of their inventory (textbooks); rather they procure the materials faculty select as appropriate for their classes. Also, because college stores are service driven, they attempt to provide the lowest possible prices for students as opposed to trying to make the largest profit.

This is confirmed in the *Annual Benchmark Report for Retail Trade and Food Services*, prepared by the U.S. Census Bureau, U.S. Department of Commerce. The report estimated annual gross margin as a percentage of sales by kind of business ranges from 16.2% to 50.4%. College stores report an average margin of 27.7% on total sales, and only 26% on course materials, according to NACS' *2008 College Store Industry Financial Report*.

What are the trends in textbook prices? Are they going up?

A study conducted by the Government Accountability Office (GAO) found that college textbook prices rose at twice the rate of annual inflation over the last two decades, but have not risen as much as tuition costs and other higher education expenses. Further, student total spending on course materials has risen at a much lower rate than the increase in unit prices.

What percentage of students buys textbooks online?

In spite of the attention paid to online sales of books and course materials, in a 2008 *Student Watch*[™] report, students reported purchasing only 24% of their required course materials online, either through the college store's site or another retailer.

How can the same textbook, or a virtually identical textbook, be less expensive to buy over the Internet from an overseas supplier than through a U.S. college store?

Lower prices on college textbooks are available overseas because some U.S. publishers have sold these titles to wholesalers or retailers abroad at prices that are greatly reduced in comparison to those available to U.S. college stores and other retailers. The Internet has made it possible for foreign wholesalers and distributors to pass along lower prices on textbooks to U.S. consumers, placing them in direct competition with U.S. college stores. This adds to students' distrust and frustration regarding U.S. college textbook prices.

NACS supports a "one price" system in which U.S. students are not paying more than non-U.S. students, particularly those in developed countries. U.S. students should not, by themselves, bear the sole burden of course material development costs or suffer the consequences of underdeveloped countries' inability or unwillingness to enforce copyright laws. All segments of the textbook industry should be working together to see how we can best maintain the extraordinary high quality of U.S. higher education – which is the envy of the world – without making the price of that education prohibitive to many Americans.

Additional Resources

The Association of American Publishers 71 Fifth Ave., 2nd Floor New York, NY 10003 (212) 255-0200 www.publishers.org	The Book Industry Study Group 19 West 21st Street, Suite 905 New York, NY 10010 (646) 336-7141 www.bisg.org
R.R. Bowker, The Book Industry Resource 630 Central Ave. New Providence, NJ 07974 (888) 269-5372 www.bookwire.com	The College Board 5 Columbus Avenue New York, NY 10023-6992 (212) 713-8043 www.collegeboard.org
Subtext, The Book Business in Perspective Open Book Publishing, Inc. P.O. Box 2228 Darien, CT 06820 (203) 316-8008 www.subtext.net	Consumer Price Index U.S. Bureau of Labor Statistics www.bls.gov/CPI Producer Price Index U.S. Bureau of Labor Statistics www.bls.gov/PPI
GAO Report on College Textbooks http://www.gao.gov/new.items/d05806.pdf	