

Bundling and Customization

Is There Value?

The inflation of NEW textbook prices through merchandising practices developed by some major textbook publishers has become a major issue in the higher education industry. Textbooks bundled with consumable materials such as CDs, study guides and periodical subscriptions create built-in obsolescence, rendering many books worthless after one year of use. The customization of textbooks is also having a profound effect on both students and bookstores. These practices result in bookstores and students paying millions of dollars per year for what are, in most instances, unnecessary purchases.

The Issue

The practice of bundling textbooks with consumable materials has grown over the past several years, as publishers encourage college faculty to include these items with required texts. Publishers charge prices for these materials which are higher than for the textbook alone, and create a cycle by which new book bundles must be purchased by the bookstore and student each year. At the same time, these practices destroy the buy-back value of a textbook, so not only are students unable to buy less expensive used books, the amount of money they are paid at the end of the term is diminished as well.

Connect2One™

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Examples

- On the Oklahoma State University (OSU) campus, the custom edition of *Zikmund Marketing* sold for \$105. The book is the same as the 7th edition, with the exception of a different cover and the addition of a letter discussing the 2002 death of Dr. Zikmund, a professor at OSU for more than 30 years. As a result of this customization, students paid \$105 for the new book instead of having the option to buy a used 7th edition text costing \$73.
- For several years, Virginia Tech has required, for a clothing and textiles course, the book *Ready-to-Wear Apparel Analysis*, a hardbound textbook that sold for \$58.50 new and \$43.85 used for Spring 2003 term. For the Fall 2003 term, the bookstores received an order for a "custom" version of the *Ready-to-Wear* textbook, which meant that it was packaged with a writing manual. The cost of this new bundled version was \$106.20. These Tech students had to buy a custom version that included the writing manual. By bundling it with a clothing textile textbook, it increased the cost of the book to students by \$47.70.
- At Penn State University, a new edition of *Miller Economics Today* cost \$78. The difference from last year's edition is that the book now comes in a three-ring binder and includes copies of newspaper articles. As a result, there was no market for students' used textbooks at buyback, compared to the approximately \$40 they would have received had the book been reused. Last Fall, since there were no used textbooks available, students paid \$78 for new instead of \$58 for a used edition of the same book.

Higher Costs to Stores & Students

High prices for customized and bundled textbooks at the college bookstore are driving students to abandon college stores and seek alternative retail sources for their books and other materials. Online retailers and overseas providers are able to choose not to carry costly bundles and customized versions of textbooks, giving the perception that the college store is priced higher. Students are able to purchase the less expensive texts at these alternative outlets, rather than the more costly bundles and customizations which are offered at the bookstore. Overseas providers are given the additional advantage of being able to purchase "international versions" of textbooks at a much lower cost. The Internet has provided access to these

Studies on Textbook Bundling & Customization

- Students' textbook costs are on the rise. The wholesale price of college textbooks has gone up 32.8% since 1998.³ (The wholesale price is the cost set by textbook publishers and does not represent an increase by college bookstores.) Trade books' prices, by comparison, have increased 18% during that same period.
- Some of this increase can be attributed to the merchandising practices of bundling and customization. Half of all textbooks now come "bundled" — shrink-wrapped with additional materials.²
- Bundles only come new and include study aids that usually can't be sold back at the end of the term. This practice reduces the student choice of purchasing more affordable used textbooks.
- According to The Student Monitor, an independent higher education research firm, 77% of U.S. students surveyed either strongly agree or somewhat agree with the following statement: "Instead of paying extra for a new bundled version, I'm more likely to buy a used copy of the book alone."³
- Fifty-nine percent (59%) either strongly agree or somewhat agree with the following statement: "I am less likely to purchase a bundled version of a textbook because of the higher price."⁴
- Since 2000, the average number of new textbooks bought by students has declined by 17%.⁵

books from college campuses all over America.

The impact on college students is considerable. Not only do the bundles and customized textbooks frequently cost more on the front end, there is frequently no value associated with the book at the end of the term when students have come to expect a buyback price.

National Opposition Grows

Grassroots reaction to this issue continues to build:

Congress has asked the Government Accountability Office (GAO) to explore the issue of textbook prices which includes researching the impact on students of bundling and customization. This effort is now underway and testimony has occurred in Washington, including testimony from a representative of NACS.

U.S. Senator Charles E. Schumer (D-NY) is urging the U.S. Department of Education to work with book publishers and schools to find ways to lower book costs for students, specifically to ensure that students can buy only the texts they need for classes without being forced to purchase unneeded extras as part of a bundle.

A recent article in *The New York Times* quoted a former editorial director at a textbook publishing company as explaining that, "Publishers release new editions of successful textbooks every few years — not to improve content, although that may be a byproduct — but to discourage

the sales of used books by making them seem obsolete."¹

A legislative panel in Tennessee is investigating why college textbooks selling for up to \$200 per book are not able to be re-used and re-sold after their first year of use.

Numerous state legislatures, most notably California, have debated the various issues related to the rising cost of textbooks seeking solutions for their constituents. Many other states are in the exploratory phase on the issue, but the word is out and legislators are interested.

Raising Awareness & Seeking Solutions

Many faculty are as concerned about the high price of textbooks as their students and, in most cases, they are unaware of how their decisions made at the prompting of publishers are affecting price. In a number of cases, when educated about this merchandising practice, they have rejected bundles and customization as unnecessary.

If you are concerned about this issue in your market, what can you do? Bookstore managers can begin by educating faculty on the issue and by expressing their concern to publishers. Connect2One has prepared materials to help support bookstore managers in this effort to educate stakeholders on the issues surrounding the cost of college textbooks.

For more information, contact Mark Palmore at mpalmore@connect2one.com or, visit www.connect2one.com.

¹ "Same Book, New Look." Erwin V. Cohen. *The New York Times*, December 2, 2003.

² Nebraska Book Company, February 2004.

³ Fall 2003 Lifestyle & Media Study, Student Monitor 2003.

⁴ Ibid.

⁵ Ibid