**AMERICAN TEXTBOOKS: BUYING STRATEGIES AND INNOVATIVE BUSINESS MODELS**

**Introduction**

This critical incident focused on an international student, Lucy, who came to U.S. on a tight budget. After her first week in the country, she went to bookstore on campus to purchase textbooks. Looking at the prices, she was shocked and said “Oh My God!” Lucy realized the money she had would barely cover textbooks for this semester if she shopped wisely. The semester was going to start soon. Talking to her friends, Lucy learned that she could purchase books online or from other local stores. Purchasing the textbooks at bookstores would definitely cost more but it was convenient. Other shopping channels posed lead time and transportation related challenges. Between cost and convenience, Lucy had to compromise one. What should n she do this semester? Planning ahead for future semesters, is there some new way for Lucy to get low cost textbooks that are also convenient to access?

**Background**

Attending college is a big step for many young students as they become more independent and responsible as an adult. One of the first lessons that young students learn while in college is how to effectively manage their budget. Lucy was an international student who recently arrived in the United States from China. Shopping for textbooks and managing a limited budget were major challenges for her at that time. She realized high textbook cost in the United States was a cultural difference. In her native country, textbook expenses were only one-fifth of the average student’s monthly living expenses. However, in the U.S., the costs of textbooks were almost twice the average monthly living expenses for an international student.

Textbooks were acquired very differently in China. Previously, Lucy received textbooks directly from the university, and this was the only option available to students. Universities were responsible for book selection, procurement, and delivery. Students had to pay the university directly to obtain their books. Universities had a monopoly in the textbook market. Huge economies of scale resulted in lower procurement cost. The lower cost was passed on to students because Chinese society placed a high emphasis on education and the government influenced all education-related expenses.

The United States presented a completely different scenario for Lucy. Course instructors selected textbooks, and students could purchase textbook from various sellers. Lucy learned in business classes that monopoly leads to higher prices while competition results in lower prices for the end consumer. Yet, she did not find lower textbook prices, and this was an unresolved dilemma for her.

Lucy discussed the problem of high textbook prices with other students. She found that high textbook cost was an issue for both domestic and international students. As educational expenses were continuously increasing, students were looking for options to reduce textbook expenses without compromising convenience and speed when buying them.

Lucy researched book selling channels that are popular among students. She found that students primarily purchase textbooks from the university bookstore, Barnes and Noble, Amazon and eBay. The university had a bookstore that is part of a national chain with a physical store on campus. The bookstore maintained a website with information about courses offered and required textbooks. Books could be returned for a full refund if the student dropped the course during the first week. Students could also sell their used books at the end of the semester for one-half the original price or less. Used books could be purchased from the university bookstore for about 75% of the original price. Sufficient inventory (almost equivalent to course capacity) was maintained so there was no shortage of books. Lucy noted that convenience was the main reason why many students purchased books at the university bookstore.

Barnes and Noble was another option for buying textbooks. They maintained a website for purchasing books online. In addition, they had a physical store located few miles from the university that offered decent return policies for online and in store purchases. Their physical store was a convenient option for domestic students. However, international students like Lucy did not have cars and found it difficult travelling to the Barnes and Noble location. In addition, if they could not find the required textbook there, then it was waste of time and the cost of transportation.

Students could also purchase textbooks from Amazon online. The shipping cost was an additional expense but it was waived for very expensive books. Amazon also offered expedited shipping for an additional cost. Customers had to pay the shipping cost to return books, and this was an additional expense compared with other sellers that had a physical store. Amazon was only available online. Notably, Amazon had a good reputation for customer service just like Barnes and Noble.

Another option to shop for textbooks online was eBay. It was different from other online retailers by providing an online marketplace for individual sellers and businesses to sell many different commodities including textbooks. Any commodities, new or used, could be sold through auction or at a predetermined fixed price. The auction was unique and an attractive feature of eBay. Students could make excellent deals but it was time consuming and might end at inconvenient times thereby making it harder to win a bid. There were also other concerns and risk factors involved when shopping at eBay. For example, not all sellers were prompt in shipping. Further, if the wrong item was delivered (e.g. different edition) or if the quality was unsatisfactory (book without CD, used book) then the return process was costly and time consuming, and left students with no textbooks during classes.

After researching popular bookselling channels, Lucy decided to investigate their prices since there were mixed perceptions among students. In discussions with friends, she developed a list of 30 textbooks, and collected price data for new textbooks either by visiting the store or searching online. She did not include the shipping cost. There was considerable variation in auction prices so only predetermined fixed price book data was collected from eBay. The data is provided at the end of this critical incident.

**The Challenge**

Lucy comprehensively researched the textbook market. She collected prices for 30 textbooks from each bookstore, and the intangible advantages and disadvantages of each store. But the question left for her to answer was how should she analyze this information to find out the stores with lower prices? Lucy was also wondering, what about convenience and other intangible benefits? How would it affect the decision to buy textbooks this semester?

Looking ahead, Lucy began to wonder if there was a store that had relatively cheaper prices and was also more convenient for shopping. If not, then what creative business idea could be developed to address this problem? Lucy was thinking out of the box. She recently read about a co-op café managed by a student organization that was non-profit and provided low-cost healthy dining options. She was wondering if there was a possibility of applying this co-op café model to the textbook market. Alternatively, were there any other creative business ideas for renting or buying new and used textbooks? The first step was to analyze costs. So, Lucy began analyzing the textbook price data set.

**Table 1. Textbook Price Data from University Bookstore, Barnes & Noble, Amazon and EBay**

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| --- | --- | --- | --- | --- | --- |
| **Textbook ID** | **Subject** | **University Bookstore** | **Barnes & Noble** | **Amazon** | **EBay** |
| 1 | Managerial Accounting | $288.33 | $226.90 | $206.54 | $79.95 |
| 2 | Auditing | $286.67 | $231.35 | $209.43 | $212.30 |
| 3 | Microeconomics | $105.25 | $176.29 | $152.75 | $123.90 |
| 4 | Consumer Behavior | $72.75 | $55.81 | $56.42 | $54.68 |
| 5 | Operation System | $173.33 | $124.21 | $123.99 | $137.34 |
| 6 | Project Management | $215.00 | $167.09 | $168.13 | $128.00 |
| 7 | Organization Behavior | $54.95 | $42.70 | $46.50 | $39.99 |
| 8 | Business Statistics | $225.00 | $145.48 | $99.95 | $22.99 |
| 9 | Monetary Economics | $55.62 | $52.59 | $52.59 | $51.85 |
| 10 | Global Management | $79.33 | $63.29 | $55.00 | $42.99 |
| 11 | Econometrics | $216.40 | $168.18 | $201.44 | $189.86 |
| 12 | Information System | $77.33 | $71.04 | $62.98 | $64.96 |
| 13 | Economics | $197.67 | $153.62 | $164.58 | $154.63 |
| 14 | Macroeconomics | $86.70 | $107.30 | $108.38 | $135.04 |
| 15 | International Trade | $96.50 | $119.00 | $120.63 | $149.50 |
| 16 | Women Study | $105.67 | $84.31 | $84.31 | $84.31 |
| 17 | Information System | $202.20 | $170.39 | $167.41 | $167.41 |
| 18 | Operations Management | $217.86 | $147.13 | $148.62 | $147.00 |
| 19 | Financial Accounting | $103.95 | $97.68 | $95.50 | $95.99 |
| 20 | Sports and Exercise Nutrition | $78.75 | $94.33 | $40.00 | $51.66 |
| 21 | Marketing | $64.95 | $54.73 | $53.02 | $59.15 |
| 22 | Criminal Justice | $95.81 | $98.96 | $35.02 | $39.95 |
| 23 | Geoscience | $145.08 | $110.23 | $119.85 | $145.00 |
| 24 | History | $43.01 | $35.23 | $40.00 | $28.84 |
| 25 | Environmental Science | $50.67 | $44.60 | $44.31 | $30.38 |
| 26 | Science of Soils | $130.60 | $76.43 | $83.14 | $78.13 |
| 27 | Services Marketing | $220.00 | $181.17 | $182.99 | $87.73 |
| 28 | Personal Finance | $69.75 | $63.34 | $63.99 | $70.95 |
| 29 | Social Science | $67.33 | $55.96 | $56.53 | $86.92 |
| 30 | Visual Basic | $58.03 | $35.16 | $34.34 | $56.71 |