

Textbooks for tightwads

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As classes start, business students are in for a shock: Textbook prices are higher than ever. A word to the wise: It pays to shop around.

Shopping for textbooks can be burdensome at best, painful at worst. And it's no different for business students. By the time students get to B-school, they're probably well-versed in the tricks of the textbook trade. They need to be, with some books required at top B-schools retailing for well over \$200.

Although textbook shopping is as inevitable as picking classes or group projects, spending tons of money on books doesn't have to be part of the process. The catch is knowing what you're doing, which isn't as obvious as it sounds, even for students with top-of-the-line spreadsheet skills. Of course, you can still look for the least beat-up copy in the campus bookstore, but that should be just the beginning.

The Web is overflowing with sites claiming to offer the cheapest textbooks around. So, with book prices rising, the cost of higher education higher than ever, and a dreary economy to boot, it'll certainly pay off to spend some time shopping around. Publishers may be resourceful, but students are, too.

An oligopoly

To say they have to be is an understatement. The General Accounting Office says textbook prices have increased at twice the rate of inflation since 1986. And today, students spend on average about \$700 per year on required course materials, according to a 2008 survey by the National Association of College Stores (NACS).

Part of the problem is rising production costs, but the textbook market itself plays a role. The industry is an oligopoly, says James V. Koch, president of Old Dominion University, in a 2006 report by the U.S. Education Dept. Advisory Committee on Student Financial Assistance. According to Koch, five publishers—Thomson, Wiley, Houghton-Mifflin, Pearson, and The McGraw-Hill Companies (Businessweek's parent)—control the market, putting out about 80% of all college texts.

What's more, Koch says, the textbook market is unique. Unlike markets for most consumer products, where demand is generated by consumers themselves, textbook demand is created by another group: the faculty choosing texts for their classes. That makes it possible for publishers to introduce higher prices without much—loss in revenue.

Publishers can also introduce "bundled" versions of books—books sealed with additional CD-ROMs or other materials—for higher prices. This means, even if just the book itself is required, students are stuck buying a more expensive version.

Tricks of the trade

But the situation for students isn't as dire as it sounds. First of all, as some economists point out, students are smart and know how to consume. Yes, textbooks are expensive. But they are expensive at list price—usually the highest price a student can find. The prices charged by most bookstores, online retailers, and even online trading posts are well under this publisher-set price.

As BusinessWeek found out, those retail prices can vary wildly, which is why it pays to shop around. One of the easiest and fastest ways to find the best prices is to use a site that

aggregates prices from many retailers. Booksprice.com and allbookstores.com are good places to start. They both list prices from the most popular Web retailers, such as alibris.com, half.com, bookbyte.com, and even Amazon.com. If aggregated searches aren't turning up the results you want, you can go to individual retailers' sites. Make sure to know the edition, author, and publisher of the book you're looking for—some books, on topics such as microeconomics, share the same title for completely different products.

Expect some surprises. Sometimes a retailer will sell the new version of a textbook for much less than a used copy. Abebooks, for example, charges \$69.99 for a new copy of Jonathan Berk's and Peter DeMarzo's Corporate Finance and \$120.54 for a used one. It's unclear why this happens, but one possibility might be that the owners of the used books simply overpriced their product.

Another possibility: the retailer is trying to unload a stash of new books before a new edition arrives, much like a new car dealer offering rock-bottom prices to clear the lot for new models.

Buy vs. rent

In general, though, used copies of books are cheaper than new ones—sometimes a lot cheaper. In many cases, used prices are just a fraction of the list price and a substantial discount over the cost of a new book. In some cases, used textbooks can go for as little as \$1.

Of course, buying isn't the only option. Chegg.com rents textbooks to students by the semester, as do campusbookrentals.com and bookrenter.com. Chegg's current incarnation (with a name that comes from the combination of "chicken" and "egg") was launched nationally in 2007 by Osman Rashid and Aayush Phumbhra, who experienced their own share of frustration with the amount they spent on textbooks while in school. Students save between 65% and 85% off list price, according to CEO Jim Safka, getting what he believes is the "best possible value." Chegg.com has a revenue-sharing agreement with McGraw-Hill, covering 25 titles.

"Rentals are good for certain students," says Charles Schmidt, director of public relations at NACS. Rented textbooks might be good, for instance, for students who otherwise wouldn't be able to afford the books at all, or for students taking required classes about material they'll never think about again.

Amid all the low-cost textbook options available to students, campus bookstores would seem to be at a disadvantage. But for many students they're still the default choice, owing to convenience, the in-store shopping experience, and a sense that by patronizing a campus store they're giving back to their school. That's not likely to change.

Government support

Besides relying on their own initiative—a quality that should be in every business student's DNA—textbook shoppers can also look to support from the federal government. The Higher Education Opportunity Act of 2008 requires publishers to disclose the wholesale prices of textbooks, content revisions made in new editions, and other information designed to make it easier for professors to choose the most budget-friendly books for their courses. It also calls for the unbundling of CD-ROMs and other materials, making it possible for students to purchase only the materials they need. Finally, it will require that colleges publish textbook requirements in course catalogs, giving students more time to find deals on the books they need.

Schmidt expects these changes to bring increased transparency to the faculty-publisher relationship. Already, some professors are trying to help students spend less by sticking with

old editions or choosing unbundled books. They're also joining textbook advisory committees with students and administrators, Schmidt says, to make sure "everyone's on the same page."

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