

# Are Students Being Priced Out of a Higher Education?



Textbooks are an essential part of the college experience. Professors assign readings that are followed up with discussions and tests designed to demonstrate mastery of concepts. In most cases, it's impossible to go through a semester without some form of assigned course materials. However, many students had to make the decision whether or not to buy their textbooks. According to figures from the United States Department of Labor and CollegeBoard.org, from 1986 to 2014, overall inflation rose by 115%, but tuition and fees increased by 365%; plus, college textbooks have gone up by 82% in just the last 10 years – nearly three times – the rate of inflation.

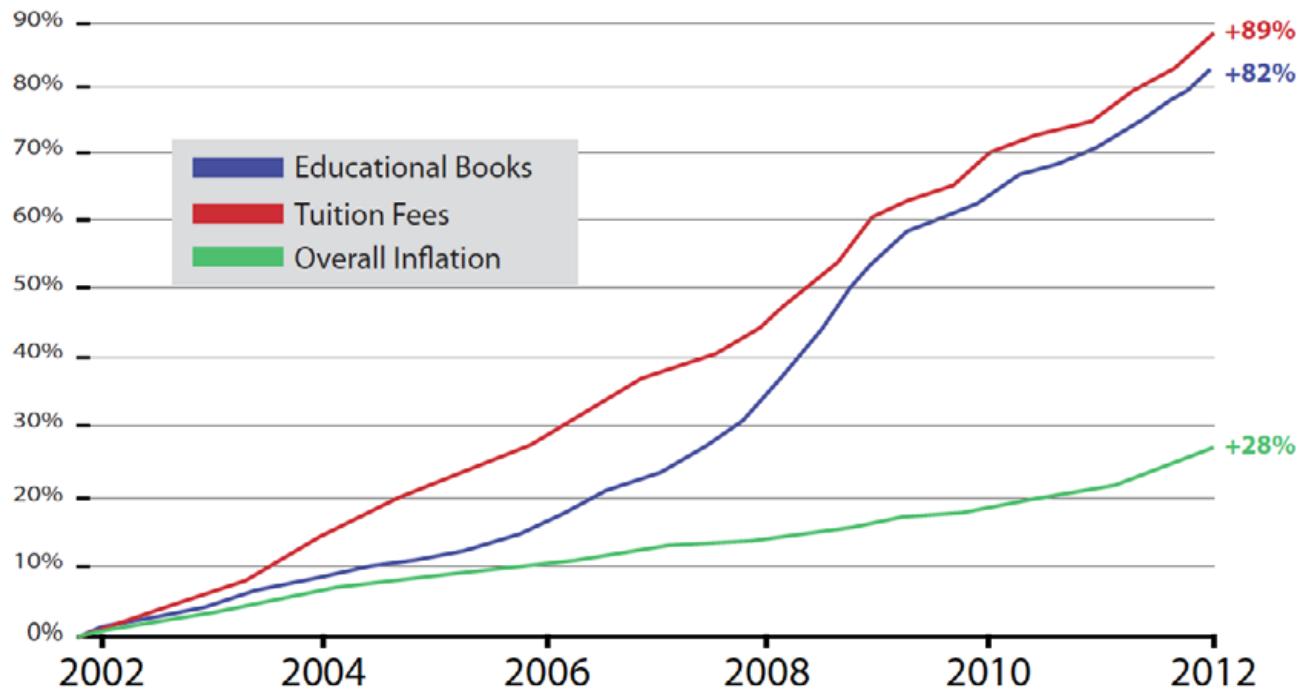
The NACS Spring 2015 OnCampus Research guide states the average student spent \$563 on course materials in Fall 2014 and Spring 2015, at an average of \$60 per course on materials in the Spring term and \$71 per course in the fall.<sup>12</sup>

Have textbooks changed that much in 30 years? Where does all that money go? A recent NACS study reveals that for new textbooks, college stores usually make less than 4 cents on every dollar per each title sold, even with an average gross margin on new textbooks at 21.1% — a margin that has stayed fairly constant since 1989. In most cases, that 4% goes back into the institution and financial aid or other student programs to offset other higher education costs, while the rest goes to publishers.

With used books, the gross margin may be higher as they require more handling and incur steeper operating expenses. The threat of new editions means those used titles also run the risk of obsolescence.<sup>5</sup>

Years ago textbooks were exclusively available in the campus bookstore; this meant one option for student purchasing. With the creation of the

#### **Estimated Increases in New College Textbook Prices, College Tuition and Fees, and Overall Consumer Price Inflation, 2002 to 2012 according to the Government Accountability Office<sup>1</sup>**



Internet, students have more choices to find options that fit a wide variety of budgets and needs. The departure from buying solely from the bookstore causes publishers to lose quite a bit of their profit. In an effort to combat this loss, publishers are increasing their prices to the bookstores, which in turn must pass it on the students, who then are back online searching for lower prices among popular retailers. This migration to lower cost options forces publishers to raise prices to maintain their margins. As an industry trend, the cost of new frontlist titles might increase 3-7% in a given year, even for the same edition.

This constant increase in prices is affecting the academic futures of our nation's students. The high cost of textbooks is changing student behaviors to search for the best option, whether that be used books, rental, borrowing titles from a classmate, switch to digital, or opt to not get the book at all.

It has become easier for students to forgo purchasing expensive textbooks in order to afford higher education. Those who can't, drop out. From 2012 to 2013, full-time student enrollment decreased 13% which can be linked to an increase in textbook prices, states NACS.<sup>13</sup>

Frustrated by not seeing any changes in textbook prices, students have resorted to other methods to

reduce their spending on course materials. MBS Direct's report on Student Book Buying Trends has found that more than 20% of students wait until after classes start to order their books, in order to determine whether or not the book is really needed for the course. If a student waits too long, they may fall behind. Other students split the cost of a textbook and share the text. These students have access to the material, but it can be tricky to juggle the book so everyone gets a chance to complete the reading assigned for class. The Student Book Buying Trends report has shown that the amount of students sharing books rose 32% in the last two years. And some may choose to not purchase the course materials at all. Without access to the content for a course, how successful can a student be?

These options may seem extreme, but every year more and more students are resorting to drastic measures to avoid spending a fortune on books. According to NACS, 9% of students – changed their schedule – to avoid course material expenses in 2014.<sup>12</sup>

The ongoing increase in course material costs threatens graduation and retention rates at higher education institutions nationwide, which could deter incoming students from applying. In light of these steadily rising costs, how are schools going to continue to keep enrollments and retention rates up? Something has got to give.



# Is Digital the Answer?



**4 OUT OF 5**  
Publishers now  
produce eBooks.



A whopping  
**30% INCREASE**  
in 3 years.<sup>7</sup>

eBooks are the latest player in the textbook game, and digital seems a logically viable solution; however, many things have to be worked out strategically. Is there a cross-platform eReader out there to make the type of device a moot point? Is there enough digital title inventory to challenge print as the preferred format?

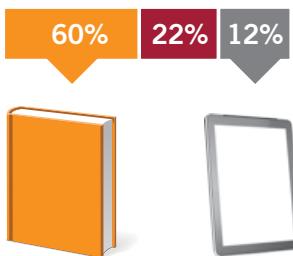
eBooks are less expensive than print because there are no printing or paper costs. Features across platforms vary, but with the right platform, accessing eBooks is easy. Students and instructors typically purchase codes to access their digital books for a predetermined amount of time, and can be entered into the app or the users' profiles online to begin the download.

Students and staff can take notes and highlight sections of their digital book in their device to review later, or share with other people in their class or study group. Users can also copy and

paste notes directly into a text document, so you can create study guides and more. Those who use the options are more likely to enjoy their experience and gain a more complete grasp of the knowledge.

The Book Industry Study Group reports that nearly 60% of students said they think they would prefer a print textbook regardless of if they've purchased a textbook in any other format. About 15% said they preferred a textbook with online supplements — down from the previous year — but a preference for digital textbooks was on the rise, with about 25% of students responding that way. This coincides with an increasing inclination among publishers to produce content in a digital format.<sup>11</sup>

# Now the Biggest Question: The Price for Digital?



**60 percent** of students prefer print over digital, with about 12 percent preferring digital and 22 percent preferring print bundled with a digital component. 6.2 percent had no preference.<sup>12</sup>



**One-third** of all students surveyed said they did not purchase or rent at least one textbook per given term because of the price.<sup>12</sup>

In American schools today, there are three major pricing models being used for implementing digital course materials.

1. A **flat-rate model** where a set fee is charged to students across classes regardless of course or eBook title.
1. The **retail model** where bookstores pay the publisher for digital content and sell them to students at retail price.
2. The **course fee model** where the digital course materials fee is bundled with the student's tuition.

## Let's examine these models implemented into different schools with a 100% sell-through rate for publishers:

1. To combat the rising cost of course materials for their students, the system of Colorado Community Colleges opted to implement a digital course materials program in 2006. The change provided students with digital course materials and access to online content offered through the publishers in a flat-rate model. Students were billed a flat-rate fee to their tuition invoice to cover the cost of their course materials. The fee was the same for all students, regardless of the subject matter or the title used. Using this model kept prices low for students and provided them with the correct materials.

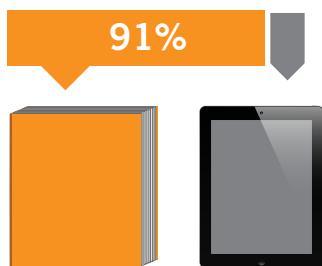
2. The University of New Hampshire Whittemore School of Business and Economics wanted to implement eBooks as a low-cost option after witnessing the lengths students were taking to save on textbooks. To experiment, the university began the eBook program with an "Introduction to Business" course for the fall 2011 semester.

The bookstore model was used; all 600 students enrolled in the course were charged a small one-time fee from the bookstore for unlimited access to the book during the term.

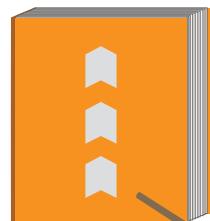
The fee amount was agreed upon by the publisher and the bookstore in a licensing agreement. Access to student enrollment records allowed the bookstore to charge the students taking the Introduction to Business course for the cost of



**54%** of faculty identify making learning materials more affordable as a key goal of their institution.



**91%** felt large traditional-bound textbooks are at least "somewhat likely," "very likely" or "already are" becoming less important in their courses as customizable, digital learning materials gain ground.



Only **11%** agree that textbook prices are reasonable, considering their value to a student's education, and faculty in general are willing to let students use older editions to help save money.



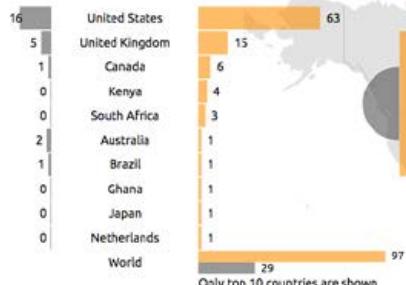
## Is Faculty the Bad Guy?

Traditionally, faculty has been given free rein in selecting the titles for their course lists. Selection has been based on the instructor's personal preference: order of chapters, additional materials, web references, etc. Instructors have been aware of the rising costs of textbooks but were lacking the piece to the puzzle that would help them weigh the importance of their preferences over the costs to the students.

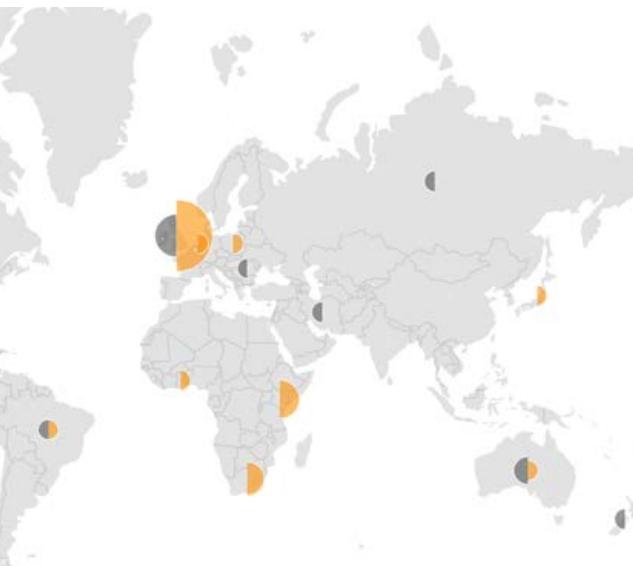
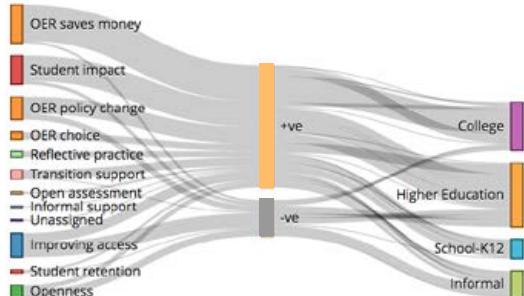
The Higher Education Opportunity Act (HEOA) of 2008 was created to make publishers more transparent to faculty and students. Under this act, publishers are required to release the ISBNs associated with a textbook so faculty can exercise cost-savings in their adoptions and students can shop around, assuring they have the correct book. Additionally publishers must offer supplemental course materials as an option (in the past, the two were bundled together, raising the cost).

Another consideration gaining ground is found in the 2014 Student PIRGs study, which was conducted to gauge the viability of using open educational resources (OER) as a solution to high-priced textbooks. Its results revealed that not only are open textbooks more accessible, but they have the potential to save students \$100 on average, per course, per semester.

A goal of this survey was to encourage more faculty to assess OER for relevant and customized titles in response to escalating book prices. These titles could be adopted and offered free online and printed on demand at significant savings. Another goal was to invite textbook authors to join the movement to develop and distribute informative course materials at tremendous cost reductions.



Evidence Flow - World



Positive Impact

Negative Impact

OER Impact Map, Maintained by the OER Research Hub <sup>16</sup>

## OER as a Cost-Saving Alternative

While many instructors look to find open materials online they can share with students to supplement or replace traditional textbooks, true open educational resources are editable — they can be customized by any instructor to include or focus on the information most pertinent to their program. Relatively few sites and open-source books function this way, but the trend is continuing.

According to the Babson Survey Research Group's Opening the Curriculum 2014 survey, faculty appreciate the concepts of OERs but are not very aware about them in detail. Furthermore, the survey states that among faculty, 88% of those surveyed said cost was one of the most important factors for selecting online resources and that the use of OER may potentially increase greatly over the next three years.<sup>14</sup>

OER Research Hub's Evidence Report for 2013-2014 states that of educators who have implemented OER, 73.8% said cost savings to students were evident.<sup>15</sup>

Many professors have turned to OpenStax, a nonprofit through Rice University backed with funding from the Bill & Melinda Gates Foundation, the Hewlett Foundation and other resources. Built around OER and very low-cost digital textbook alternatives for entry-level college students, OpenStax offers some eBooks for less than \$10 per copy through designated eReader platforms, or completely free as PDF and ePub versions online.

While the OpenStax library is currently somewhat limited — 11 books are currently available, with two pending — books are all written and peer-reviewed by field experts before release. Anatomy & Biology, Physics, Concepts of Biology, Sociology and Statistics titles are all available through MBS Direct and are aligned to standards in their fields of study so they're easily adaptable to existing courses. Psychology, Microeconomics, Macroeconomics, Principles of Economics and Precalculus are coming soon.



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