Huge Growth Potential in 2015 for Used Books Market - A Surrey

Lissa Coffey

Available at: https://works.bepress.com/lissacoffey/3/
DONE WITH YOUR SUMMER BOOKS?
SELL THEM BACK TO US.
MORE INFO AT:
Used Books: A Growing Market

Background & Facts

- Traditionally in physical stores
- Expansion through Internet sales
• $2.2 billion in used book sales in 2004
  • Used book sales = 8.4% of total consumer spending on books
  • Textbooks dominate the used book market but sales of non-education titles are growing rapidly

Suggested Read:

Where to Buy Used College Textbooks

Trending in 2014: Business of Selling Used Textbooks Online
Used Book Sales

2004 US Used Book Market – Units and Revenue (million)

- 2004 Used Book Units (million) = 111.2
- 2004 Used Book Revenue (million) = $2,223

Average Sales Price
- Non-education: $8.12
- Education: $42.31
Used Book Sales

US Used Book Market – Revenue ($ million)

Year Over Year Growth
- Total Market: 11.1%
- Other Locations: 1.5%
- Bookstores (POS): 4.6%
- On-line: 33.3%

Revenue ($ million)
- 2003: $2,011
  - Other Locations: $45
  - Bookstores (POS): $1,464
  - On-line: $512
- 2004: $2,233
  - Other Locations: $46
  - Bookstores (POS): $1,567
  - On-line: $609
## Comparative Statistics

<table>
<thead>
<tr>
<th>SIC</th>
<th>1987 SIC Description</th>
<th>Year</th>
<th>Establishments</th>
<th>Sales ($1,000)</th>
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<tbody>
<tr>
<td>5942</td>
<td>Book stores</td>
<td>1997</td>
<td>12,363</td>
<td>12,375,058</td>
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<tr>
<td></td>
<td></td>
<td>1992</td>
<td>12,887</td>
<td>8,014,885</td>
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-4.1  
54.4
Used Books in E-Commerce

- Slow beginning
- Prices used to be higher online but are lower now due familiarity and efficiency but now there are many websites where you can easily sell books.
- Big ones: Amazon.com, Half.com, etc.
- Exchange: Comegetused.com, Facebook, Craigslist, etc.
Price Competition

- Price level expected to be lower on the Internet
- Lower search costs for consumers
- Lower marginal costs for sellers (i.e. no physical stores)
- More competitors in the market due to lower entry costs for the sellers
Price Competition

• Expect higher elasticity since consumers have better information and lower switching cost, but there are also two distinct types of buyers (new vs. used)
• Menu cost lower on internet since it’s easier to update changes in price
• Since books are the same either in store or on-line, price dispersions are similar for in store and on-line
Example: Amazon.com

- One of the first e-commerce companies
- Founded in 1994 by Jeff Bezos
- Started out as on-line bookstore
- Grew slowly but steadily and survived the dot-com bubble
- Turned its first profit in 2003
- Revenue = $14.84 billion (2007)
- Net income = $476 million (2007)
- Number of employees = 17,000
Textbooks Industry

- Oligopoly
- Price manipulation
- Tactics (bundling and supplements)
- Large portion of used books sales is used textbooks
- Textbooks make up to 20% of students’ expenditures
- Prices have risen at double the rate of inflation
Textbooks: Cost and Pricing

• In 2002-2003, New textbook has accounted for 5 billion dollars of total sale.
• College bookstores earn average of 22% gross margin on new textbook.
• In 2002-2003, used textbook is accounted for 1.8 billion of sale.
• College bookstore earns 34% gross margin on used textbook.
## Textbooks: Price Distribution

<table>
<thead>
<tr>
<th>Component</th>
<th>Percentage</th>
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<tr>
<td>Publisher</td>
<td>64%</td>
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<tr>
<td>Bookstore</td>
<td>22.4%</td>
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<tr>
<td>Author</td>
<td>11.6%</td>
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<tr>
<td>Shipping</td>
<td>1.7%</td>
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Textbooks: Industry Tactics

- Bundled supplementary materials, like website material, study aid, work book
- Customized edition disallow acquisition of textbooks on internet at a very low cost
Textbooks: Industry Justification

- 76% of textbook editions are changed every 3-4 years.
- 89% of professor admitted that only minor or no content is justified.
- Over 70% of students say that old edition is just as usable
Used Books & Publishers

- Authors and publishers worry about used books taking over the market
- Authors Guild and the Association of American Publishers wrote an open letter to Jeff Bezos voicing concerns over sales being cut (2002)
- Reality: A 10% increase in new book prices would raise used sales by less than 1% (small cross-price elasticity), and used books market encourages people to buy books since they can sell the books eventually
Used Books & Consumers

• One study estimates Amazon’s used books market allows consumer surplus to increase by $67 million annually
• Being able to buy used books online has made it more convenient to shop for used books, lowering search costs
• Consumers can sell used books
Used Books & Environment

• Buying used books is good practice for reusing what’s already there and not wasting resources in general
• U.S. book industry emits over 12.4 million tons of CO2 into the atmosphere each year (that’s including forest carbon loss)
• Seeing positive changes in the industry (i.e. use of recycled fibers has increased six-fold in the past few years, corporate commitments)
• A poll by Opinion Research Corporation found that 80% of readers are willing to pay more for books with a better environmental profile (2006)
Conclusion?

• The benefits from the expansion of used book market can outweigh the costs associated with it
• Future trend: more online book-buying, electronic books
References

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Half Price Books finds success old-fashioned way: offline

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http://calpirg.org/CA.asp?id2=11987&id3=CA&
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