“Used-Book Sales” Report: Key factors determining the publisher’s success

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Used Book Market Analysis

Initial Preview

Complete report to be released late fall of 2005
Important Notice

The following slides are highlights from the Used Book Study Preview that was presented on September 28 at BISG’s Annual Meeting and Fall Conference 2005.

A comprehensive and detailed report of the findings of the Used Book Study is being prepared and will be released in late fall 2005.
Agenda

• Objectives
• Key findings
• Booksellers
• Market size and growth
• Consumer survey findings
• Conclusions
  ◦ Trends, publishers, booksellers
• Future directions
Project Objectives

• Size the US market for used books
  ◦ Units and sales for 2003 and 2004
  ◦ By genre (top 50 BISAC codes) and other
  ◦ By channel (online vs. off-line)

• Conduct research on used book selling and buying activities
  ◦ Assess used bookseller volume, trends, perspectives
  ◦ Understand used book purchasing behavior, process and drivers

• Develop a summary report on the used book market
Used Book Market Sizing Methodology

- On-line transaction data
- Bowker ISBN to BISAC
- MIR textbook data
- Bookseller survey
- Consumer survey
- Secondary research
- Market model

Majority of units and sales figures based on transaction data (Abebooks, Alibris, Amazon, Biblio, eBay, MIR, Powells)
Key Resources and Data Partners

abebooks.com™
Because you read.

alibris™

amazon.com

American Booksellers Association
The not-for-profit trade association representing independent bookstores nationwide

Barnes & Noble
www.bn.com

Biblio
for the love of books

Book Hunter Press

Bowker™

ebay®

Monument Information Resource

Powells.com

InfoTrends
CAP Ventures
Key Findings – US 2004 Used Book Market

• $2.2 B in used book sales; 11.1% growth over 2003
  ◦ $1.6 B in education and $600 M other genres
• 111.2 M used books (units)
  ◦ 38.6 M in education and 72.6 M other genres
• On-line used book sales = $609 M; 33.3% growth
• Bookstores (POS) = $1.57 B; 4.6% growth
• Other locations = $46 M and 19 M units; 1% growth
Key Findings – US Used Book Market

- Traditional booksellers seeing declining store (POS) used book sales (except for college stores)
- On-line vendors actively focused on building inventory (booksellers, consumers)
- Significantly higher average sales prices via on-line (except for education)
- High consumer satisfaction with used book purchases
- Key used book buying factors are price and book condition – new book availability is a secondary factor
Who are the used book sellers? How many sell used books?

- **Bookstores**
  - Independents (used, new), national, college, religious, other
  - 11,036 establishments per Census Bureau
  - 22,321 per Information Today (7,131 are various retail stores)
  - Industry consensus of around 15,000 to 17,000 total bookstores
  - We estimate around 11,600 sell used books

- **Other locations – 1,000’s**
  - Book fairs
  - Friends of the Library
  - Goodwill and thrift stores
  - Yard sales

- **On-line – Majors, on-line specialists, consumers**

### Physical Stores Selling Used Books

<table>
<thead>
<tr>
<th>Type</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent - Used</td>
<td>4,200</td>
</tr>
<tr>
<td>Independent - New</td>
<td>4,000</td>
</tr>
<tr>
<td>College</td>
<td>3,205</td>
</tr>
<tr>
<td>Other</td>
<td>200</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>11,605</td>
</tr>
</tbody>
</table>
Bookseller Survey

- Web-based survey conducted
  August 23 – September 19, 2005
- Sample from Book Hunter Press and American Bookseller Association
- 510 respondents
- BISG and list providers identified as sponsor
- Three main groups (all independents, no national)
  - Used bookstore (304) = physical store and primarily used books
  - New bookstore (62) = physical store and primarily new books
  - On-line specialist (144) = no store (excludes Abebooks, Amazon, B&N, et al)
Percentage of Bookseller Sales (Units) – Survey Data

Roughly what percentage of your company’s books sales (UNITS) in 2004 fell into the following categories?

Note: This sample does not include the major online retailers or the large bookseller chains.
Percentage of Used Units by Category – Survey Data

Approximately what percentage of your USED BOOKS sold in 2004 were in the following categories?

Note: This sample does not include the major online retailers or the large bookseller chains.
Percentage of Units by Sales Method – Survey Data

What percentage of your books sold in 2004 did you sell through the following methods?

- New Bookstores
- Used Bookstores
- On-line Specialists

**Order via third-party (e.g. Abebooks, Alibris, Amazon, Barnes & Noble, eBay)**

**Order via my web site**

**Customer visiting my store**

May include clients visiting home or office location

Note: This sample does not include the major online retailers or the large bookseller chains.
College Bookstores

- 4,650 college stores serving 4,168 institutions in US, 200 stores in Canada
  - 2,500 university owned
  - 2,350 managed (e.g. B&N, Follet, CBA) or privately owned
- $10.9 billion revenue (North America)
  - 63% of business is course materials ($6.9 B)
  - $5.0 B new textbooks*, $220 M course packs, $440 M in trade books
  - $1.75B used books*
  - Around $275 M sales via Web
- Facing increasing competition from third-parties

*Based on NACS survey and projections. Other sources (Bowker MIR) project slightly lower sales and units.

Source: National Association of College Stores (NACS) - Higher Education Retail Market Facts and Figures 2005
On-line

- Retailers
  - Barnes & Noble, Books-A-Million, Powell’s
  - Emphasize new and used; tied into on-line specialists and marketplaces

- Marketplaces
  - Abebooks, Alibris, Amazon, Biblio, eBay,
  - Portal for the industry inventory
  - Transaction system for e-commerce

- On-line specialists (1,000+)
  - Individual people working out of home and selling through marketplaces
  - Ex-used book dealers, part time business ($10K, <1,000 books per year)

- Rapid growth in segment (30%+ year over year)
- Transforming the Adult Trade and Professional used book segments
- Expanding into Textbooks
- Achieving significantly higher prices than other channels
US Used Book Market – Units (million)

Note: On-line includes all Web-based sales via any source; Bookstore (POS) refers to sales at the register.
US Used Book Market – Revenue ($ million)

Note: On-line includes all Web-based sales via any source; Bookstore (POS) refers to sales at the register.
Consumer Survey

• Web-based survey conducted August 9 – 11, 2005
• Sample from Survey Sampling and InfoTrends panels
• 1,695 consumers and 337 students
• Random drawing for cash prize
• BISG not identified as sponsor
Number of Books Purchased in Last 12 Months

How many new and used books have you purchased in the last 12 months? Please include all books that you have purchased including ones for yourself or as gifts.

Books purchased in last 12 months

<table>
<thead>
<tr>
<th></th>
<th>Students</th>
<th>Non-Students</th>
</tr>
</thead>
<tbody>
<tr>
<td>N</td>
<td>337</td>
<td>1,695</td>
</tr>
<tr>
<td>Mean</td>
<td>9.4</td>
<td>14.8</td>
</tr>
<tr>
<td>Median</td>
<td>5.7</td>
<td>4.7</td>
</tr>
<tr>
<td>Used</td>
<td>6.0</td>
<td>8.0</td>
</tr>
<tr>
<td>New</td>
<td>9.4</td>
<td>6.0</td>
</tr>
</tbody>
</table>

Mean and Median for Students

Mean and Median for Non-Students
Amount Spent on Books in the Last 12 Months

Approximately how much have you spent on books in the last 12 months?

Students
- Mean: $419
- Median: $250
- N = 337

Non-Students
- Mean: $174
- Median: $100
- N = 1,695

Used
New
Reasons for Not Purchasing Any Used Books

Why have you not purchased any used books? (check all that apply)

- Prefer to purchase/own new books
- Haven’t found any interesting used books
- The title I was looking for was only available as a new book
- Price of the used book was too high
- Condition of the used book was unacceptable
- Shipping costs are too high for used books
- Other

N = 82 (Student) 620 (Non-Student)
Highest Price Willing to Pay for a Used Book in Very Good Condition

The most I would pay for a used book (excluding shipping) in VERY GOOD condition is ...
Would Recommend Purchasing a Used Book

Would you recommend to a friend that they consider purchasing a used book the next time they are shopping for a book?

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Students</th>
<th>Non-Students</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>255</td>
<td>1,072</td>
</tr>
<tr>
<td>I would not recommend considering a used book</td>
<td>8.6%</td>
<td>6.0%</td>
</tr>
<tr>
<td>Neither recommend for or against</td>
<td>16.5%</td>
<td>21.0%</td>
</tr>
<tr>
<td>I would recommend considering a used book</td>
<td>74.9%</td>
<td>73.0%</td>
</tr>
</tbody>
</table>
Initial Conclusions

- Used books are one of the fastest growing segment of the book industry
  - 11% overall growth (2004 vs. 2003)
  - On-line sales 33.3% revenue growth
- Rapid growth driven by e-commerce (eliminating friction in buying and selling)
- Expansion from textbooks and collectibles to professional and trade
- Used books become mainstream
  - Positive experience for consumers, libraries and sellers
  - Easy, good value, profitable
  - “Wait for it to come out on video”
Initial Conclusions

• Expect a significant transformation over next few years
  ◦ Tip of the used book inventory iceberg (libraries, consumers, bookstores)
  ◦ Automated price quotes
  ◦ Handheld wireless device at book fairs and yard sales? Used book arbitraging?

• Multiple business models all tied to the Web
  ◦ Physical store
  ◦ On-line store
  ◦ Auction
  ◦ Events
Initial Conclusions

- Impact on publishers
  - Another variable to factor into the equation
  - Shorter runs, more titles, more updates and versions
  - Re-examine contracts for disposing of hurts and remainders
  - The publisher as the reseller?

- Impact on booksellers
  - Majority of transactions done on-line
  - Store sales will continue, but be a smaller portion
  - Fewer used bookstores
  - More professional on-line booksellers (price erosion?)
  - Greater competition for inventory (higher costs?)
  - Volumes up
Future Issues

• More detailed examination of transaction data
  ◦ Sales by condition
  ◦ Quantify hurts & remainders vs. used
  ◦ Publish date of new book (hardcover vs. soft cover)
  ◦ Prices over time
  ◦ Seasonality
  ◦ International
  ◦ Professional booksellers vs. consumers
  ◦ Analyze in conjunction with new book sales data

• More detailed analysis of library market
• Broader, deeper survey of bookstores and sellers
• Closer analysis of students
• Analysis of run lengths, pricing strategies, hard cover vs. soft cover
For Additional info contact:

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