



TO: Debbie Durcan
Vice President for Finance

FROM: Aaron Brower
Vice Provost for Teaching & Learning

DATE: February 13, 2009

RE: Response to “Cost of Textbooks Action Plan”

I was asked by Chancellor Martin to respond to your January 29, 2009 memo requesting our plans concerning textbook rental programs. Additionally, your memo mentioned that our students are running a textbook exchange program (our students are calling it their “textbook swap” program); I wanted to therefore provide you with a summary of our students’ experiences with that program.

As described below, we are not pursuing a textbook rental program, but we are supporting our students’ abilities to implement a textbook swap program. Additionally, we believe that our most effective strategy to help students contain textbook costs lies in strengthening market forces by providing students with textbook ISBN numbers early enough for them to search for the lowest prices themselves. Finally, we believe that the not-to-distant future of textbooks lie in open-source and other on-line formats that will generate entirely different pricing options.

UW-Madison takes very seriously its role to help students contain their textbook costs. Our overall plan of action is contained in our November, 2007 report, which can be viewed at: <http://www.provost.wisc.edu/content/memos/docs/TextbookCost.pdf>.

UW-Madison Context

First, just to put into context the environment that we face at UW-Madison, we offer approximately 3,200 lectures and 11,000 course sections each semester. If we look only at 100- and 200-level courses—which are the courses we believe students are most in need of help when it comes to textbook costs—we offer approximately 1,000 lectures and 2,500 course sections each semester. UW-Madison enrolls approximately 28,000 undergraduates, and 40,000 students overall.

Additionally, and you may already know this, UW-Madison does not own a bookstore. *The University Book Store* (UBS), located on the State Street Mall, is a trust, established in 1914 as a successor to the University Cooperative Company. It is a tax-paying entity

located on private property. According to its by-laws the trustees “shall consist of two members of the UW-Madison faculty, two alumni of UW-Madison, two students currently enrolled at UW-Madison, one member of the UW-Madison academic staff, and the President of *The University Book Store*.” Thus, UW-Madison does not control UBS’s operating practices.

Feasibility of a Textbook Rental Program

Among comparable universities,¹ no school has a comprehensive textbook rental program. The University of Minnesota (UM), UCLA, and UC-Davis are all experimenting with a user fee based programs. Additionally, the University of Michigan supports a textbook swap, similar UW-Madison’s ASM-run program. The Ohio State University has an online marketplace where students can buy and sell textbooks.² However, no university comparable in size to UW-Madison has a textbook rental program, funded through student fees or which covers any substantial percentage of courses.

University of Minnesota Pilot

We spoke with people in charge of UM’s textbook rental pilot. Their program began in fall 2008 and is run out of the University of Minnesota Bookstore, which is an auxillary unit of UM. Students can rent selected books for a non-refundable fee of 35-40% of the book’s price. The bookstore offered five rental books in fall 08 and nine in spring 09. To recover costs of the program, the bookstore estimates that books need to be rented four to five times. Since the bookstore cannot guarantee that professors will use the book multiple times, they set a higher fee to account for the liability of the book not being re-adopted. In addition, UM has limited the rental program to new editions with a high likelihood of re-adoption. Currently, the UM Bookstore rental program is small enough that their current staff handles the workload along with their regular book selling operation. That is, the operations needed to rent a book are similar to students purchasing books. The bookstore has the necessary staff, storage and infrastructure to accommodate a rental program at its current size, but the people we talked with said that for this program to expand the bookstore would require substantial system changes.

University of Wisconsin-La Crosse

We also talked with people running the UW-La Crosse textbook rental program. This program is funded through a compulsory annual student fee of \$157. The total program budget of this operation is about \$1.3 million. One-tenth of the budget funds staff costs and the other nine-tenths funds supplies and services. This year, the textbook rental program required the University to add an additional \$20,000 to the program’s budget due to unexpected increases in costs to purchase textbook. To remain solvent, the program expects to increase the amount charged in student fees. The University is also considering outsourcing the textbook rental program management.

¹ This includes all schools in the Big Ten, UCLA, UC-Berkeley, UC-Davis, Arizona State University, University of Florida, University of Central Florida, University of South Florida, University of Washington, University of Texas-Austin, and Texas A&M.

² See: <http://www.campustrades.osu.edu/>

Conclusion

We are not pursuing a textbook rental program at this time. In addition to the research above, we examined this option thoroughly as part of our November, 2007 Textbook Cost report and concluded that a textbook rental program operated by the University is not feasible. In addition to concerns for competition with the private sector, the University's initial capital investment would be too high and too risky for this effort to be undertaken. Furthermore, other logistical considerations face a campus as large as UW-Madison, such as the requirement for enormous space to warehouse books not being rented and the need for a large staff to manage and implement the rental program.

Textbook Swap Program Summary

We will use this section to summarize the experiences of our student government (Associated Students of Madison; ASM) which runs a textbook swap program. In general, the textbook swap is a successful event in the sense of being reasonably popular with students. It also provides ASM with an activity considered relevant to our student body. Additionally, since this program is run entirely by students, the university itself is not competing with private businesses. The University Libraries and the Provost Office have provided support to ASM in the form of space for the swap event and advising to help them work through logistics. Currently, the textbook swap requires no additional funds, nor does it generate funds.

Overview

The Associated Students of Madison (ASM) Academic Affairs committee has conducted three book swaps (spring 2008, fall 2008, and spring 2009). While the specific details of the swap have changed each semester the swap was held, the general process remained the same. First, students drop off used textbooks; second, other students peruse the books looking for required texts; and third, the original students pick up either their money or their unsold books. Books are sold at 65% of UBS's listed price, which allows students to buy texts for less and student sellers to make more money than if they were to sell the book to UBS. The spring 09 event required the help of about two dozen students.

At the most recent swap, in the spring of 2009, two major changes were made. First, the swap organizers only accepted books with ISBN listed this semester with UBS. In previous semesters they had accepted any book with a similar title or author. Second, the swap organizers created a database to track which books were provided and sold. For this reason, the spring 09 swap is the first event with precise information about the success of the swap. For spring 09, 626 books were involved in the swap, which ASM calculated to be worth a total of \$23,629 (based on UBS's listed used book price). Just over half of the 626 books were sold to other students. Thus, ASM estimated that students who purchased books at the spring 09 swap saved about \$13 per book vs. if they had purchased used books from UBS.

The ASM students shared with us several advantages, and a few disadvantages, based on their experiences:

Advantages

- The current version of the textbook swap does reduce textbook costs, while requiring no additional money. It does require staff and physical space.
- While only a small fraction of our students participated, those who did were able to save money if they bought through the swap, or they recouped more money by reselling their books directly to other students.
- As students become more familiar with this option, the swap will likely increase in size and scope offering more course and book selections.
- This swap provided opportunities for students to collaborate with administration and the library system to address the cost of textbooks.
- This event is high profile and very good publicity for ASM; they are seen as providing a real service to the student body.

Limitations

- Only a small fraction of students participated in the swap, and it is unclear how much larger it could grow with its current business model.
- The smaller the number of students participating, the more limited are the books available to students for purchase.
- Students expressed how much work it took to pull off these events, even at their present size. Scaling up the swap would likely require additional resources and far greater staff and logistical capacity than is currently available.
- One business model suggested to ASM is to hold back a small percentage of total sales to provide break-even support for the program. An alternative to a physical swap event is for ASM to host a “craigslist.com” type of swap. This is a program that Ohio State is experimenting with. So far, ASM has not shown interest in pursuing either of these options.

Conclusion

The textbook swap program, in its current form, is a viable program that does help students address their textbook costs. At the same time, it is unclear how much bigger it can grow before needing a different business model that generates additional resources.