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E-Business in Service: Recent Trend and Development in Online College Textbook Sales

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ABSTRACT

This paper is an attempt to investigate the current issues and development of the marketing strategy for all those online college textbook sales, as the Internet has provided more options for college students across the nation in terms of buying and selling their textbooks in recent years. The primary data for this study are collected through a comprehensive website evaluation and testing, and a questionnaire survey from a selected campuses. The objectives of this research are: (1) to investigate the marketing strategy of current online college textbook business in terms of: price, leadtime, availability, and the likes; (2) to identify major issues and challenges for online college textbook websites in promoting online textbook sales; and (3) to examine college students' preference in their textbook buying decision regarding online textbook sale options. The data collected from this study show that there is a significant gap between business marketing strategic priority and college students' perception in their final purchasing decision. The results are presented with graphical displays along with managerial discussion.

INTRODUCTION

With the dawning of the e-business environment, increased competition between firms has developed. This has enabled firms that would have been unable to traditionally compete to do so with larger, established firms. Businesses, however, are not the only parties that have benefited by the e-business environment. Formerly, consumers located close to large cities could better select the products and services they needed or wanted than those located far from metropolitan areas because of a larger base in which to make their selection. All consumers are now more capable of attaining informed decisions due to increasing competition in the e-business environment. Consumers are not limited to the products and services that are offered to the location in which they reside. They can compare the price, quality, and availability of items from across the globe.

There have been numerous studies about the Internet and the applications of the Internet in business (Vassos, 1996). This is especially true of the Internet applications in service operations, such as: the health care industry (e.g., webMD), banks and financial institutions (e.g., e-banking), or hotel and hospitality & tourism chains (e.g., e-booking). A majority of current e-business activities use the Internet as a marketing and promoting channel for their products or services. Given the competition from powerful traditional businesses, a successful e-business can only occur if the business can satisfy its consumers' needs better than those traditional business approaches and provide consumers with lower prices, wider selections, better choices, superior services, or more convenience (Vassos, 1996).

There have been many advances in the sale of manufactured products to consumers as a result of the Internet. Traditionally, product manufacturers have had little contact with the consumers that purchase their products. They were limited to selling their products to distributors and wholesalers who would then circulate the products to retailers. This configuration implies several rounds of markups on the product's price.

Traditional brick-and-mortar textbook stores provide textbooks to college students. College bookstores have experienced monopolistic competition in the past. This is due, in large part, to a total lack of substitution for college textbooks. Students are required to purchase the textbook for the subject that they are currently enrolled. They are further restrained because of the lack of substitutes. True, there are many versions of textbooks for each corresponding subject that are all relatively similar; but the professor only instructs for one. Therefore, the student has had no other options for their purchases when dealing with traditional textbook stores in the past. Most colleges and universities have only one on-campus textbook store in which students can purchase the textbooks needed for their courses. This arrangement has left the majority of students, in the past, with few options concerning the purchase of the textbooks needed. Recently, with the emergence of Internet textbook stores, students have obtained more power in making their textbook purchasing decisions, i.e., more options with buying their textbooks online than previously. Today, there are a myriad of textbook suppliers, operating on the Internet, that compete with traditional textbook sellers. These suppliers can provide the same textbooks, often at lower prices, to students. Students can also receive the textbooks nearly as quickly as if they had gone to a brick-and-mortar location (Foucault, 2002).

This research is an attempt to address some key strategic issues of the operations of major online textbook stores currently available in the marketplace. Research of e-textbook sellers, which is based on direct observations of selected online textbook stores, is used to empirically investigate the key marketing strategies of the selected online textbook stores from two separate perspectives: from the business's point-of-view and from the student's point-of-view.

LITERATURE REVIEW

This study is focused on investigating and comparing the ways current online textbook retailers implement Internet technology in their operations. There is an ongoing research stream in this field and several reports have been already published (Chevalier 2004, 2005). This field, however, has grown significantly within the past few years. The majority of the previous examinations occurred in the early 2000s, when the online textbook industry was in its infancy (Talaga, 2001). The customers, then, were in the early adoption phase of the business cycle. A person in this group wants to be the first to obtain the item in question. The marketing for this group is quite different from other groups in the business cycle because these consumers subscribe to different tenets than the other groups. The online textbook industry has since changed dramatically, as such; to examine the current status of the online textbook industry is the primary motivation for this research. A brief literature review is presented below.

One early research studied consumer tradeoffs in online textbook purchasing and concluded that Internet textbook retailers were essentially mail order operations where orders were placed online (Talaga, 2001). With the "dollar price" (the physical cost of the book) along with other non-monetary costs associated including: search time, waiting time and associated perceived risks, the study suggested that those e-bookstores struggle to deliver price advantages of any significance and had difficulties to offer the services available on the campus bookstore. In addition, the study identified three most important variable in the competition of college textbook sales: (1) the availability of the textbook at the campus bookstore; (2) the buyback policies and guarantees of the campus bookstore, and (3) not surprisingly, the price of textbooks offered at online bookstores.

Foucault and Scheufele (2002) describe a study in attempting to answer the question - why students buy textbooks online, by using online textbook purchasing as a model to outline predictors of online purchasing based on motivation theories drawn from traditional online consumer motivation research, social motivation theory, social influence theory and uses and gratifications theory. The study confirms a positive relationship between the use of previous online purchases, positive social environments, professor support, knowledge of online retailers, as empirical variables, and the actual online textbook purchasing. Similarly, Yang, et al. (2003) empirically examined the probability of students purchasing their textbooks online with the conclusion that purchasing textbooks online can be predicted by possession of computer and Internet skills, having a retentive attitude towards money and dissatisfaction with the university bookstore. In a series of the study in this field (Chevalier and Goolsbee, 2004, 2005), the first one explored the college textbook market to determine whether its consumers are forward-looking, where a forward-looking consumer is defined as a person who thinks about the future when making durable goods purchases today. As consumers for the textbook market are college students, this study suggested that the probability that a student will not be able to resell his or her textbook in the future because of the effect of new

editions is extremely significant to a student's price sensitivity. Furthermore, through examining textbook publishers' revision cycle to estimate consistencies with those who suggest social welfare-destroying planned obsolescence is limited by the forward-looking behavior of consumers, they argued that publishers have nearly maximized their recognition of revenues by setting revision cycles to the appropriate duration, therefore, textbook consumers are forward-looking to some extent, but not absolutely.

As summarized above, while there have been many studies on the textbook industry as a whole, but very few are up-to-date, especially about online textbook market. Given the fact that online textbook industry has been increasing remarkably during the last few years, there is obviously a demand for a comprehensive empirical study about the recent trends in e-business (as a whole) and specifically the e-textbook industry.

RESEARCH METHODOLOGY

The primary data for this study are collected through an intensive Internet observation and student surveys. After a pilot experiment in which a few online textbook websites were observed, 19 most popular U.S. online textbook websites were chosen for this research. That is, it is believed that those selected online textbook websites are not only representative, but also are covering the majority of current online textbook sales in the nation.

Based on the available categories, 20 different textbooks were selected randomly in this research for observation in terms of the product variables of price, availability, and delivery time. Other observations were also made regarding the technical design features of the website (e.g., user friendliness, website attractiveness, graphical display, and additional links provided) and selected demographic characteristics (number of years in business, business' physical location, primary services provided, and business type). To ensure randomness of the sampling process, first, textbooks were selected from a wide range of instructional areas, including: business, art, mathematics, psychology, criminology, and musicology.

The price, availability, and estimated delivery time of each textbook were used in order make observations about each online textbook website as a whole. Two prices, the highest and lowest listed price, were collected in order to determine a mean price for each textbook. Once a mean price was established, the same textbook available on different websites could be ranked relative to each other. The availability of each textbook was also observed on each website. Textbook availability refers to whether or not the textbook is currently in the company's inventory at the time of observation. An online textbook provider with a higher average availability should have customer retention rates that exceed those of an online textbook provider with a lower average availability. Next, the estimated delivery time of each textbook was observed on each website. The shorter the delivery time, the quicker the student will physically possess the textbook in question. Students normally have a very limited time to acquire the textbook after the information has been given to them. Consequently, a website that can offer delivery times shorter than those of competing websites will establish an absolute advantage relative to their competition.

The technical design feature section concentrates on the visual impact and effect of each website. Based on the common criteria used in evaluating a website, this section observes the features of user friendliness, website attractiveness, graphical display, and additional links provided. Given the subjective nature of these criteria, a rating scale of (1 to 3) is used consistently in the observation process of user friendliness and website attractiveness. For example, under "Website Attractiveness," websites that display too much or unnecessary information are ranked lower (e.g., a "1") while websites that display only relevant information that is not crammed on the page are ranked higher (e.g., a "3"). The graphical display of an online textbook provider's website is the visual representation of all its information. A successful graphical display is one that presents the information or data efficiently, clearly and concisely. If the graphical display of a website needs improving upon, then potential customers are more likely to purchase elsewhere because they are confused or intimidated by the way the information is presented to them. The final variable observed in the technical design feature section is the additional links provided by the website. Some websites not only display the price that it quotes for selected books but also provide the prices of their competition. This should lead many potential consumers, at the least, to begin their search here.

In addition, some related demographic information and data are also collected from each website observed, including: (1) the number of years in which the business has been in operation, (2) its physical location, (3) the primary services that it provides, and (4) its business type. These demographic data will be used in later analysis of the e-textbook industry. For example, it is expected that a business that has operated online for longer periods than

its competition has a potential advantage over its competitors because it has had more time in which to adapt to consumer demand. Therefore, the business history information (i.e., the number of years that a business has been in operation) may provide some insights in analyzing the current online textbook industry competition picture. Similarly, a business' physical location is also important in certain way for any e-business industry because any e-business that has a brick-and-mortar business as well as an online one may have advantages over Internet-only competitors. Another significant demographic feature observed is the primary services that an e-bookstore provides - its central or core undertakings. If an online textbook provider is not solely in business to sell textbooks, it may be privy to resources to which it might not ordinarily have access. A greater availability of business resources should lead a company to a complementary advantage over its competition. Finally, the last demographic feature observed was under which type of business each online textbook provider operated. The possible business types that an e-textbook business might possibly provide are commonly business-to-consumer (B2C) operations, consumer-to-consumer (C2C) operations, or both B2C and C2C operations. Here, consumers are both the buyer and seller of the product. The website merely acts as a means of communication channel between consumers and an intermediary for security issues. The most recognizable example of C2C operations is the famous *ebay.com* and its textbook affiliate *half.com*.

A questionnaire survey has been also created and will be distributed to students at several selected universities late in this research. The purpose of such a student survey is to learn the online textbook industry from the consumer's perspective. By enabling input from students, a more accurate analysis of the research question can be achieved. Among the questions to be asked to students basically include: (a) if he/she had purchased textbooks from Internet previously, (b) what are the most influential factor to them, if so, and (c) what keeping them from purchasing textbooks online, if not.

Based on the information collected, comparative analysis is conducted (a) to examine the current trends and developments of the online textbook industry, and (b) to identify the most influential factors and considerations from the perspectives of both business and students in terms of an efficient marketing strategies for those online textbook providers. The results are presented with analytical discussions in the next section.

RESULT ANALYSIS

As shown in Table 1, the majority of the selected e-textbook retailers (over 63%) have a history of more than eight years in the industry. Established during the late 90's e-commerce hot stream, these online bookstores have made their way to this day and continue to profit from their online businesses. While only one (out of 19) website began its operations in the period of four to seven years, might be the result of the dot-com bubble that reached epic proportions busted at the beginning of this time period. However, some trends have happened in the recent online textbook industry, as evidenced by the fact that near 32% of selected online textbook websites are only in business for less than three years - suggests that a reaffirmation of e-commerce has been emerging in recent years, especially in the industries in which the products or services could be ordered by customers electronically (i.e., through online) and then be delivered with available delivery systems (i.e., expressly or regularly, such as: Federal Express, UPS, or USPS) on a timely fashion, just like the online textbook industry addressed in this research.

Table 1: Business History of Selected Online Textbook Providers.

Business History	#	%
0 – 3 years	6	31.58
4 – 7 years	1	5.26
8 – 10 years	6	31.58
Over 10 years	6	31.58
Total	19	100.00

A common way to build up a customer base and attract returned customers for an e-business is to save customers' profiles. This will also help to increase customers' loyalty to the website, improve email marketing efficiency and reduce the store's risk of dealing with discredited users. However, saving a customer's profile also makes the procedure of exploring a website more complicated. Most people resent having to fill out registration forms and

share personal information at a website. Thus, an alternative of making a purchase without registration is sometimes provided to simplify the process and attract customers. In the so-called “*Check out as a guest*” process, visitors only need to key in their billing and shipping addresses and credit card information to finish the transaction. To examine the adoption of this method by the current online textbook providers, this feature is checked carefully in the observation and the results are presented in Table 2. With a surprise, it can be seen that only about 27% of the selected online textbook providers include this option while the majority (73%) still refuse to deal with customers without an account. A prerequisite account needed for shopping is necessary for frequent shoppers and increases the quality of customers as mentioned above. But, it is arguably inconvenient for textbook shoppers since most of the students do their shopping seasonally – two or three times a year. Few people remember their login name and password with such infrequent uses. The information about the availability of “Multiple ISBN Search” among observed websites is also summarized in Table 2. For those websites that target frequent textbook buyers, a multiple ISBN search feature has been built into the websites of several subjects. Shopping with a set of ISBN numbers rarely happens in impulsive book shopping. In most cases, a student with a sheet of required textbooks uses this feature. The multiple ISBN search increases the search efficiency dramatically. Among selected websites, however, less than half (about 42%) have successfully adapted this feature, while a majority (58%) of those textbook websites still request students to search one book at a time. It is highly recommended that all online textbook providers set up a multiple ISBN search tool for their customers, as it is easy to create and will attract more customers.

Table 2: Business Functions of Selected Online Textbook Providers.

Business Functions	Yes	%	No	%	%
Save Customer Profile	14	73.68	5	26.32	100
Multiple ISBN search	8	42.11	11	57.58	100

Another important feature about an online textbook website is its “business type”. As shown in Table 3, while all observed websites have their basic B2C feature, a majority among them (13 out of 19 - 68%) also provide a C2C market place (or, a business model) like eBay.com. Visitors are not only able to buy books from the website; they are also able to list and sell their own used textbooks on the market place provided by the website. By doing so, the website increases visitors, page views, website brand awareness, and profits. The only related expense incurred is a small transaction fee, which can be included in other costs. It is conceivable that a customer could buy a textbook at a relative low price and sell it after use at the same price in the same website without losing money. There is only one website (Barnes & Noble.com) among observed that provides a C2B platform in which the business will buy textbooks directly from users with strict requirements. While the visitor could sell his or her book easily for a better price at the electronic market places provided by other online bookstores, no advantage to a buyback feature for a retailer could be detected over its competitors.

As discussed earlier, the delivery time it takes for a student’s newly purchased textbook to arrive at his or her door is extremely important to most college students. As such, the printed “standard delivery times” from each observed website are collected in this research for comparison purposes (Table 4). It was a surprise during the observation process that not a single observed website promotes its shipping or emphasizes any advantage over its competitors with respect to delivery time. As it can be seen in Table 4, almost all those online textbook websites realized the importance of fast delivery, as such, about 95% (18 out of 19) of all selected e-textbook retailers promise that their textbooks could be delivered to the student within five days (in fact, 42% within 2 – 3 days and other 53% within 4 - 5 days). However, when considering the mean of delivery time, over 73% (14 out of 19) of the same online bookstores state that their likely delivery time may take eight or more days. This statistic is extremely important because a large portion of students that shop for textbooks online need their newly acquired textbook sooner than such a standard delivery. It also is noteworthy that the promised delivery time also varies depending on each individual textbook searched. In summary, the delivery time is an area where an online textbook seller may be able to make substantial improvements and distinguish itself from its rivals in this competitive market.

Table 3: Business Type of Selected Online Textbook Providers.

Business Type	#	%
B2C (Business-to-Consumer)	19	100.00
C2C (Consumer-to-Consumer)	13	68.42
C2B (Consumer-to-Business)	1	5.26

Table 4: Delivery Times of Online Textbook Providers.

Standard Delivery Times	Low	%	High	%
2 – 3 days	8	42.11	0	0.00
4 – 5 days	10	52.63	0	0.00
6 – 7 days	0	0.00	5	26.32
8 -10 days	0	0.00	5	26.32
> 10 days	1	5.26	9	47.36
Total	19	100.00	19	100.00

The results of two website design features are presented in Table 5. In terms of “*user friendliness*”, based on the criteria used in this research, an overwhelming majority (close to 90%) of the selected e-textbook providers’ websites exhibit at least an average of user friendliness, or better. Clearly, the easier a student is able to navigate a website and find the selected textbook, the more likely he or she will purchase the textbook at that website. If one must spend extra time looking for the search box, sifting through unnecessary information, or finding the correct webpage, then he or she will have a less-than-positive experience at the site and may be less likely to make a purchase.

Similarly, if a student perceives an online textbook website as unattractive, then that website is at an apparent competitive disadvantage when compared to other online textbook websites. As shown in Table 5, among the observed websites, based on the criteria used in this research, about a third (33%) can be viewed as perfect while a fifth (21%) exhibit a substandard in terms of website design attractiveness. As the website design features of an online textbook retailer will remain as important competitive edges in determining its overall success, the results of this study showed that there is still a large room for those online textbook businesses to improve further.

Table 5: Website Design Features of Online Textbook Providers.

Ranked Design Features	Poor	%	Ave.	%	Good	%
User Friendliness	2	10.5	12	63.1	5	26.31
Website Attractiveness	4	21.0	9	47.3	6	31.58

The price and availability of a textbook on an online textbook website are arguably the two most significant and important factors in the market competition and whether a student will eventually purchase a book from that place. Obviously, a student would like to spend the least amount of the money possible on a textbook if he or she can. Also, if a specific textbook that a student needs is not available, then it is very likely that this student may not go back to the same website next time for other textbooks. To examine the relative pricing policy and the availability

of demanded textbooks, 20 textbooks with their ISBN numbers are randomly selected to test their pricing and availability among the selected websites. Among 20 textbooks, 7 for Business major, 6 from Science subjective, 4 for Art topics, 2 from Education, and 1 from Law degree. As expected, in the proposed textbook testing process, it quickly becomes clear that different websites are pricing their textbooks differently. As it can be seen in Table 6, the same book can have two drastically different prices at two different websites (e.g., for Business book 4, the lowest price offered at one site is as less as \$7.83, while the highest price at another site is as high as \$150.48). For each tested textbook, Table 6 presents its lowest, the mean, and highest prices collected from selected online textbook websites. An interesting trend observed is that about 40% (8 out of 20) of the textbooks tested in this research have price differentials over 80%. From marketing perspective, possible managerial implications include: (a) For a potential student textbook seller, assuming there is no *actual* cost for a used textbook (i.e., the book has realized its full value after being used for the required course), one would have a full range to price his/her textbook from as high as close to a brand new book sold in campus bookstore to as low as a few dollars, if the student seller want get rid of this book quickly. That could also be used to explain the relative large price differentials observed in this research. (b) For a potential student textbook buyer, one can expect the possibility of buying a required textbook at a much lower price comparing the one offered by campus bookstore. In another word, depending on the lead time a student may have for a required textbook, one can easily determine one's purchasing options accordingly; e.g., to pay a full price at the campus bookstore if you need the book tomorrow, or to search the online textbook websites and pay at a medium price (normally at least 20% lower) if you must have the book in a week, or at a very low price if you have enough time to do a complete search and wait for a regular delivery process. (c) For an online business textbook website serving as the third party, there is a huge room for business opportunities. Given the fact that it will be extremely difficult (if not totally impossible) for a student (either as a book seller or as a book buyer) to have the full complete information about the supply (how many book sellers are there?) and the demand (how many book buyers are there?) for a specific textbook, the online textbook websites can certainly use their advantage in collecting the marketing information (including both the supply and the demand sides) about every textbook and then based on such collected information, develop a pricing framework for both potential student book sellers and book buyers in terms of best matched lead times and prices. That is, such a large range of prices can certainly lead to a new niche in the online textbook industry. For example, websites such as *campusbooks.com* have begun listing prices and availabilities of each textbook from several different websites. They are not retailers in a business sense but merely provide a service. Such websites allow students to more efficiently search and find textbooks in the price ranges for which they are looking.

SUMMARY AND SUGGESTIONS

This paper presents an empirical study on investigating the current issues and development in the online college textbook industry. As the Internet now provides much more options for college students across the nation in terms of buying and selling their textbooks, the growth of online textbook industry and the competition within the industry all have been intensified in recent years. The objectives of this research are threefold: (1) to investigate the marketing strategy of current online college textbook business in terms of: price, leadtime, availability, and the likes; (2) to identify major issues and challenges for online college textbook websites in promoting online textbook sales; and (3) to examine college students' preference in their textbook buying decision regarding online textbook sale options.

The primary data for this study are collected through a comprehensive website evaluation and a questionnaire survey from a selected campuses. The data collected from this study show that there is a significant gap between business marketing strategy priority and college students' perception in their final purchasing decision. Through some preliminary result analysis, several interest, perhaps very important managerial insights have been derived in this research. For example, unlike thousands campus bookstores across the nation, the observed results of this research reveals that there is a huge and significant price differential among those online textbook websites for a same textbook. While this can be explained by the fact that a student textbook seller may view his/her used book at *zero* cost, thus willing to sell at a very low price to get rid of this book quickly. But on another hand, for an online business textbook website serving as the third party, there is a huge business opportunity. That is, an online textbook websites can use their IT advantage in collecting the marketing information about textbooks and develop a pricing framework for potential student book sellers and book buyers in terms of best matched lead times and prices, to gain a remarkable competitive advantage in the industry.

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