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**The College Textbook
Publishing Industry
in the U.S. 2000–2022**
The Search for
Competitive Marketing
Strategies

Albert N. Greco

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Marketing and Communication in Higher Education

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Albert N. Greco
Gabelli School of Business
Fordham University
Bronx, NY, USA

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For Elaine

PREFACE

Merriam Webster's Collegiate Dictionary defines the word textbook as “a book used in the study of a subject; as (a): one containing a presentation of the principles of a subject; (b): a literary work relevant to the study of a subject.”¹ This means that any required book for a college, graduate, or professional school class is considered a “textbook” in a U.S. college or independent bookstore or on the diverse online websites. So, a “textbook” can be a “traditional” large hard cover book used in an introductory physics class, or it can be a trade hard bound or paperback book used in an introductory history class or a hard bound or paperback university press or a scholarly professional book used in a business or law school class.

Exceptionally important statistical data about the college sector is collected and analyzed about college textbooks (also known as higher education textbooks; in this book “college textbooks” or “higher education textbooks” will be used interchangeably) by a number of important and reliable sources, including The U.S. Department of Commerce (Commerce), Bureau of the Census (Census); the U.S. Department of Labor (Labor), Bureau of Labor Statistics (BLS); the U.S. Department of Education (Education), the National Center for Education Statistics (NCES); the Association of American Publishers (AAP); Nielsen;

The Statistical Abstract of the United States; *The Bowker Annual* (the name of this important annual book series was changed in 2008 to *The Library and Book Trade Almanac*); and the National Association of College Stores (NACS). Many of these sources collect, aggregate, and release data on a monthly, a quarterly, or an annual basis about college textbooks.

Several of these organizations (e.g., Education; Commerce; AAP; etc.) also release data on the other major book categories including trade books (i.e., adult, juvenile and children's, mass market, and religion), educational textbooks and educational materials (e.g., K-12), professional books (i.e., scientific, technical, and medical books, also called STM), and university press books. Clearly, ascertaining the percentage of these book categories that are adopted for college student use would be impossible to determine since the various U.S. governmental departments and other reliable sources of data do not reveal detailed information about college adoption revenues for trade, K-12, professional, or university presses. So, while hardcover or paperback trade, professional, and university press books are required in certain academic disciplines (e.g., the humanities; the social sciences; the diverse legal, tax, and regulatory areas; and the scientific, technical, and medical fields), trade, K-12, professional, and university press book revenues and unit sales will be excluded in this book.

In the U.S., the word "college" or "university" refers to a private or public two-year community or junior college or a four-year college (e.g., The College of New Jersey). Graduate school refers to a university, an institution of higher education, which offers graduate degrees (e.g., the Ph.D., Stanford University). A professional school is a higher education institution, which offers a professional degree (e.g., M.D., The University of Kansas). So, the words textbooks, higher education textbooks, or college textbooks will be used interchangeably. In addition, all numbers were rounded off and may not always equal 100%. In addition, all college textbook revenues in this book are net publisher revenues or net publisher units (i.e., gross sales minus returns equals net revenues or net units). Lastly, colleges in the U.S. use academic years (e.g., 2000–2001); however, a single year, for example, 2000, will refer to an academic year unless otherwise noted.

In 2000, the five largest textbook publishers in the U.S. (often called the "Big 5") included Pearson PLC (also known as Pearson or Prentice Hall), Cengage Learning, McGraw-Hill, John Wiley, and Macmillan Academic. These five companies had a combined annual market share of approximately 80% generating collectively billions of dollars annually. However, many of these publishers also published trade books and products in various non-higher education sectors. For example, for decades Pearson was a major trade book publisher (e.g., The Penguin Classics).

John Wiley was a large scholarly journal and professional book publisher with a trade book line (they published the famous and ubiquitous *Dummies* books). There were a number of “smaller” publishers active in the higher education space (e.g., W.W. Norton).

Overall, the “Big 5” publishing houses looked at the higher education sector, in 2000, with pride and pleasure. After all, they were part of the pivotal cultural industry of the nation. They published substantive texts that transmitted ideas, knowledge, and important intellectual content. Their books contained theories (e.g., physics or chemistry textbooks) as well as practical information (e.g., accounting auditing procedures). Their titles enabled students to read about the Romantic poetry of Byron, Shelley, Keats, Wordsworth, and Coleridge, and they provided detailed and illustrative information about the rigid structure of medieval French society where the aristocracy ruled pivotal institutions. Publishers believed their texts were important in understanding the history of a nation and the world, and they published books that conveyed “must have, need to know” information (e.g., for nursing school students). In addition, enrollments were growing at a rapid pace as were publisher’s sales, revenues, units, and profits, so they believed that this industry was in very good shape for the foreseeable future.

What they failed to understand were the underlying concerns, unhappiness, and, at times growing hostility about how students and some faculty members viewed the textbook sector’s frequent textbook revisions and the steep pricing strategies for printed textbooks.

This book explores the college textbook publishing industry, from its inception in medieval universities, through the late twentieth century, to the present day which has led to an existential crisis for some publishers. The various sections in this book offer a comprehensive analysis of the substantive developments, problems, and concerns about a myriad of major issues that confronted the higher education textbook sector after 2000.

Chapter 1 provides an overview of the development of textbooks in Europe and then this section provides coverage of U.S. textbook developments to 2000. Chapter 2 addresses the impact of disruption technologies during the years 2001–2012 (e.g., online websites selling used and rental textbooks), changes in college enrollments, and various U.S. recessions (e.g., a brief economic downturn in 2001 and a deep recession in

2007–2009). These developments upended what had been a highly successful and lucrative industry dependent on a steady stream of the sale of new textbooks in independent and chain college bookstores to students. Chapter 3 reviews the years (2013–2018) of the important legal and copyright challenges and threats to traditional textbook sales ranging from copyright infringement issues, the importation of textbooks printed legally in foreign jurisdictions (e.g., Thailand) and whether these texts could be imported legally into the U.S., the growing concerns about textbook piracy, the attempt to create a secondary market for the re-sale of used digital products (including digital e-textbooks), and the launch of an innovative, yet controversial, “inclusive access” (i.e., IA) textbook sales strategy.

Chapter 4 analyzes the effective and, at times, ineffective strategies launched by U.S. textbook publishers between 2019 and 2021 to address the direct threats to their basic business models. The final Chap. 5 offers comments and observations about the future of this important yet threatened industry.

This book also incorporated, into the various sections, highly reliable textbook statistical sources as well as a review of some marketing theories utilized by these publishers (e.g., understanding the threat of substitute products, the sale of used and rental texts, the sale of new digital textbooks). This was done to provide an understanding of the state of this industry.

Lastly, based on several decades analyzing this industry, the overarching themes presented in this book about the U.S. textbook industry were as follows. First, textbook publishing was almost from its founding in colonial America a complex business publishing titles (e.g., biology) in a broad number of academic fields (e.g., science, technology, engineering, and medical areas; often called STM or STEM). Second, textbook publishing faced the constant threat of a “substitute” product(s), which included used or a rental copy rather than a new copy of a textbook. Third, these publishers were reliant on their “suppliers,” including the financial demands of major authors (i.e., academic “stars”) who commanded large advances and high royalty rates. Fourth, textbook publishing was a “fluid and adaptive” business that published books as new academic fields emerged (e.g., ethnic studies, gender studies). Fifth, college textbook publishing was an industry with intense competition among the “Big 5”

firms and the smaller textbook publishers to gain market share and revenues. Sixth, there was a threat of “new entrants” entering the textbook sector, especially the open access and self-publishing movement and the ubiquitous online operations, offering inexpensive used and rental printed book and digital textbooks. This meant there was a never-ending quest by the publishers: to create a competitive advantage (known as a “unique value proposition” to economists) and to “get big” and achieve scale and economics of mass production (sometimes relying on a merger or acquisition to achieve this goal).

Seventh, the “Big 5” publishers were committed to moving away from a primarily printed textbook environment to a hybrid (i.e., offering both printed and digital textbooks), and finally to an entirely digital e-textbook world (digital textbooks and e-textbooks are used interchangeably in this book). The goals were to increase profit margins, combat the growing influence of the online used and rental textbooks, and the insidious impact of piracy and copyright infringement. Eighth, all of the textbook publishers were concerned about the power of “customers” (i.e., faculty members) to adopt a textbook for class use; the student who purchased the textbook was viewed as the “end user.” Ninth, these publishers started to move rapidly toward what economists call “disintermediation,” that is, selling or renting printed or digital textbooks directly to students and bypassing sales to traditional college bookstores. The goal was to reclaim the discount offered to college bookstores (averaging about 23 percent) of a textbook’s suggested retail price (SRP). Tenth, college textbook publishing was a business where about 20% of a publisher’s textbook catalogue titles generated about 80% of a firm’s revenues. So, this meant that a publisher needed “big” textbooks written by major (star) authors capable of selling +100,000 copies (known as “units” in the business) to cover the smaller revenues generated by titles selling in the 10,000 to 20,000 unit range; this “80–20” phenomenon is known as the “Pareto Power Law.”

All of the college textbook publishers knew they had to create viable business competitive strategies (e.g., a best-selling textbook) and the necessary structures (e.g., printed and digital textbooks; learning management systems, called LMSs; ancillary products for faculty members, perhaps standardized test questions, power point slides, chapter outlines, etc.) to achieve their goals of scale, market share, and profits. What haunted the publishers was the fear that a number of carefully crafted

competitive strategies and structural elements often failed in the rugged, often fickle college textbook marketplace. So, what follows is an analysis of the college textbook business for the years 2000 to 2022 and some material about 2023, listing the successes and failures, of what is a pivotal component in the intellectual, cultural, and business life of the U.S. and academia.

New Jersey, USA
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Albert N. Greco

NOTE

1. *Merriman-Webster's Collegiate Dictionary 10th ed.*, (Springfield, MA: Merriam-Webster, Inc., 1993), p. 1220.

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DISCLAIMER

A large number of companies were mentioned in this book. However, my wife and I do not own stock in any company. All of our financial assets are handled exclusively by T.I.A.A. where I have no say in buys and sells.

ABSTRACT

Since the colonial period, undergraduate, graduate, and professional school students in the U.S. in a variety of academic fields relied on printed textbooks and educational materials to understand complex scientific theories, historical developments, philosophical ideas, and so on. The college (also called higher education) textbook publisher's basic business model worked for centuries; books were published; students purchased textbooks mainly in college or independent bookstores; and publishers earned a steady return on invested capital (ROIC). In 2000, the sale of new college textbooks generated \$3.24 billion in net publishers' revenues (Association of American Publishing data [AAP]). However, starting in the late 1990s, and accelerating after 2000, technological disruption undermined the basic business model: used and rental textbooks were readily available on online websites; piracy and copyright infringements threats emerged; Open Educational Resources (OER), Open Access (OA) textbooks, and self-published textbooks became popular. Many college professors used case studies, articles, and lecture materials, and publishers' new textbook revenues increased rather modestly to \$3.26 billion in 2021 (+0.62%). This book explores the college textbook publishing industry, from its inception in medieval universities, through the late twentieth century, to the present day which has led to an existential crisis for some publishers. In addition, this study analyzes the substantive changes the industry confronted, and the different managerial, marketing (e.g., Inclusive Access; IA), technology (i.e., CD-ROMs; Learning Management Systems, LMS;

e-textbooks), economic, and financial strategies crafted by college textbook publishers since 2000 to identify, understand, cope with, and minimize or defeat threats to their business model. The book also presents some projections, detailed statistical data, and an extensive bibliography.

Keywords College textbooks • Higher education • Strategy • Disruption • Publishing