

While there were undoubtedly many forces behind this process of de-diversification, the following factors probably played some role. On the 'push' side, many of the corporations that began to buy up publishing companies in the 1980s (and before then in some cases) were organizations that had interests in other media and entertainment businesses, including newspapers, television and film. In acquiring publishing houses they hoped to achieve at least two things: first, by a certain amount of restructuring, they hoped to be able to achieve profits in excess of 15 per cent; and second, they hoped to be able to create 'synergy' between different sectors of their media and entertainment businesses – in the way, for example, that a novel could become the basis for a film. As we noted in chapter 3, the idea of creating synergies between different sectors of the business was an important factor driving the acquisitions process of the 1970s and 1980s; whether it generated real benefits for the corporations concerned is a moot point, but it undoubtedly played a role in the strategic thinking of senior corporate executives. When these executives realized that it was going to be difficult to achieve the levels of profitability that they and their shareholders expected, they began to divest themselves of some of their publishing acquisitions. They had to decide whether they were going to expand significantly the size of their college division, with its costly sales force, or get rid of it. Continuing to run a medium-sized college division in an increasingly competitive publishing field, and in a context where the publishing acquisitions were generating lower than expected levels of profitability, did not seem like a realistic option. Most of these corporations therefore decided to sell their college divisions.

From a strictly financial viewpoint, it might have made more sense for these corporations to sell off the trade division rather than the college division, since textbook publishing is generally more profitable than trade publishing. (This is primarily because of the discount structure: trade books are generally sold to bookstores and wholesalers at a discount of 45–50 per cent, whereas textbooks are generally sold at a discount of 20–25 per cent.) But if a media-oriented company is looking for synergies from its publishing acquisitions, then it is more likely to sell off the education divisions and hold on to the trade division, since trade titles are the more likely source of film and television spin-offs. In other words, for corporations in search of synergies between publishing and entertainment, college textbook lists were strategically dispensable items.

On the other hand, on the 'pull' side, the college textbook lists of traditional publishing houses were attractive acquisitions for the emerging conglomerates in the field of higher education publishing. Acquiring these established lists enabled them to grow quickly and in some cases quite dramatically, and to short-circuit the long gestation period of the normal publishing cycle. It enabled them to increase significantly their stocks of content and of revenue-generating copyrights, and thus helped them to consolidate their positions as dominant players in the field. But there were other factors at work here too. One was a growing recognition that the traditional markets occupied by these publishers were becoming increasingly saturated: acquiring an established list was an effective way of expanding market share in increasingly saturated and highly competitive markets. Moreover, if growth is going to get more difficult on the top line, then ways have to be found to make the most of the bottom line, and some cost reductions and economies of scale can be achieved by combining forces. So even if sales are not going to increase significantly, at least profits can be grown by merging lists and rationalizing internally.

Recent mergers and acquisitions in the field of higher education publishing have also been driven by the increasing levels of *investment* required to compete effectively in the field, and especially the levels of investment required in terms of IT – this is a third important feature of the post-1980 mergers and acquisitions in this field. Especially in the North American context, the ability to develop textbooks that will secure adoptions at the lower levels of the curriculum requires very substantial investment – in advances to authors who are increasingly aware of the value of their output, in the development and production of lavishly illustrated four- and five-colour books and in the development of a sophisticated array of electronic supplements and technology tools to support the print product. The large conglomerates are also able to invest much more heavily in the development of IT infrastructures and in innovative web-based learning projects, and are thus able to take a leading position in exploring the uses of new technologies in the provision of learning materials for higher and further education. As one senior executive put it:

The trend towards consolidation is not just about improving profitability. I think it's increasingly to do with being able to invest on a larger scale, and get the return on a larger scale. So, for example, if we were to invest in technology tools that support our print products, then the bigger the base of print product that we've got, the more we can amortize the expense of doing that – or another way of putting it would be, the more we can afford to invest in doing it. So again, it is to do with investment, it is not just to do with improving profitability.

There are many reasons why the big higher education publishers find themselves obliged to invest more and more heavily in IT infrastructure and in the development of new products. The digital revolution of the 1980s and 1990s and the rise of the internet from the mid-1990s on were undoubtedly key factors – higher education publishing today has become inextricably interwoven with information technology and the provision of content in online environments. No higher education publisher today can afford to ignore these technological developments, and to stay abreast of these developments, let alone lead the way, requires substantial investment. But it is also important to see that the need to invest more and more in technology was not driven by technology itself, nor was it driven exclusively or even primarily by a concern to improve the quality of the learning materials made available to students. Rather, the growing levels of investment in new IT products of various kinds was rooted in a cycle that was part of the competitive logic of the textbook publishing field. This cycle is commonly described by those within the industry as the package wars.

The package wars

The so-called package wars began in the US in the late 1970s and early 1980s. The term is used by people in the industry to refer to the ever intensifying cycle of providing more and more elaborate 'packages' of supplementary materials or ancillaries to accompany textbooks, which were themselves becoming more and more elaborate and costly to produce. As one senior editor recalled,

It really started in the late seventies/early eighties, especially in the business and economics field. That was where it started I think because that was where the enrolment shift went, to business, economics and management courses – intro to business, intro to marketing, intro to accounting, all with humungous packages. I remember copublishing a marketing text and it had this elaborate box of supplements. It was like a file box with things stacked in it. The texts were published in slip cases and they often had dust jackets and were just trying to dazzle the public.

Some of the material in these early packages was designed for students, but most of it was aimed at the gatekeepers – the professors. In essence, the package wars were started by textbook publishers in order to gain competitive advantage in the struggle for adoptions. The package wars were spurred on by the technological possibilities created by the digital revolution, but the real driving force behind them, and behind the constantly escalating scale of investment in ever more sophisticated packages, was the desire to win over the gatekeepers and to outmanoeuvre one's competitors in the struggle to secure adoptions.

In the early 1970s and before, textbook authors were generally expected to write an instructor's manual (IM) and some test items along with the textbook itself. The publisher would print a few hundred copies of the IM in black and white and give them away to professors to facilitate the adoption process. But as competition for adoptions intensified and new technologies increased the range of options available to publishers, the packages became increasingly elaborate. Test files were supplied electronically in both Mac and IBM formats, overhead transparencies were added to the packages, then video tapes and a whole range of software – floppy disks, laser disks, CD-ROMs, etc. – were included. With the rise of the internet, the development of dedicated or 'companion' websites became an essential component, and the companion websites themselves became ever more elaborate. 'We are actually reaching the point', commented one senior editor, 'where the number of print elements is on the decline. The number of electronic elements is on the increase, and in many cases the print elements are becoming electronic elements – in some cases not even printed at all but only offered online or on a disk.' The cost of developing and providing all of this electronic supplementation can be huge. For many textbooks today, the cost is likely to be between \$15,000 and \$20,000, but in exceptional cases – for the big textbooks in areas where the student numbers are high – the expenditure can be a good deal more. 'I'm sure there are a number of books being signed now where they are budgeting for about a quarter of a million dollars just for electronic supplements,' observed the same editor, adding: 'I wouldn't rule out the possibility that people are spending half a million dollars, especially in an area like psychology.'

What is driving the ever increasing scale of investment in electronic supplements? Why do textbook publishers invest so much money in developing and providing supplements of various kinds? This spiralling investment can be understood only by seeing that it is intrinsically linked to the competitive logic built into the adoption system. The textbook publishers hope that by creating more elaborate packages, they can win over the professors who make the adoption decisions – 'Professor, we are going to do more for you than the competition does.' The fact that adoption decisions for some of the core introductory courses at the big universities – especially in the natural sciences – are made by committees of professors has added another incentive for publishers to invest in electronic supplements:

It may be that nine out of ten people on the adoption committee don't care about this but the one who cares about it cares much more than the other nine do. It's not that they object to it, they just don't care that much about it, and he, or she, comes on as being a very, very vocal proponent of media, and the others will take advantage of that and say, ok, well if she wants media, it's one of the criteria, so we can tell that publisher we don't want their product if they don't have it.

Many universities also have policies to encourage their students to use IT as part of their education, and this increases the power of those members of the adoption committees who want electronic supplements and strengthens the positions of the publishers who provide them. Given the intensity of the competition for adoptions at the level of the core introductory courses and the consequences of failing to get adoptions, publishers who wish to compete at this level simply cannot take the risk of alienating those members of the adoption committees who may feel strongly about electronic supplements, and hence cannot avoid investing substantial sums in developing and providing elaborate packages.

The committee adoption structure has also tended to drive up the scale of investment in the textbook itself – not only in terms of the quality of production, but in terms of the scope of coverage of the text. Increasingly publishers find themselves adding chapters to make textbooks more and more comprehensive, for fear that some member of an adoption committee might object to their book because it doesn't cover a topic that they regard as important. One editor recounted this story:

What really drives the whole thing are the committee adoptions. I remember presenting a book that happened to be an introductory sociology text at a sales meeting one time and I said, 'It's like a bottle of wine. The wine bottle is the size of the course and the text is the content, and the content of most of these 23-chapter books spills all over the floor.' I said all this came about because people called us and said they wanted us to add chapters, and they wanted their books to be much longer. Now one of these chapters was a chapter on sexuality and there was somebody who wanted it, so we put it in and the others didn't mind if we had it. Somebody else wanted a chapter on medical sociology, so we added a chapter there . . . These books are made for committees.

The adoption system thus encouraged publishers to invest in the development of ever more elaborate textbooks – comprehensive in their coverage, lavishly illustrated and beautifully produced in four or five colours – and in the development of ever more elaborate packages of electronic supplements. If you wanted to compete in certain subjects at the level of the core introductory courses, then investment of this kind was not really an option: it was a condition of playing the game. 'In most cases, professors simply will not consider your book unless you have an attractive array of freebies to give them,' observed one director of a college division. While lavishly illustrated textbooks and elaborate packages had become a condition of playing the textbook game, the extent to which this was true varied from subject to subject. It was certainly true of economics, business studies, psychology, all of the natural sciences, engineering, mathematics, computer science, among others – these were 'core' textbook subjects. It was somewhat less true in the 'softer' social sciences, like sociology, anthropology and political science, and even less true in most of the humanities subjects, like history, literature, philosophy and classics. These differences are important and we shall return to them in the next chapter.

While the struggle for adoptions tended to ratchet up the scale of investment on both textbooks and the accompanying packages of supplementary materials, the only way of generating a return on this investment was through the sale of printed textbooks (often shrinkwrapped with supplements of various kinds) to students. The printed textbook remained the revenue-generating product, and most of the electronic supplementation was given away to professors with the aim of influencing their adoption decisions. Hence the printed textbook had to bear an ever increasing burden of investment, and the only way to recoup these costs was (a) to concentrate on those levels of the curriculum where the student numbers were large, and (b) to increase the prices of textbooks. The big textbook publishers did both. They focused their principal textbook publishing efforts on the first and second years of the college curriculum – the core introductory courses of the freshman year (intro to psych, intro to economics, etc.) and on the so-called 'gateway' courses of the sophomore year (child psychology, abnormal psychology, social psychology, principles of macro economics, principles of micro economics, etc.). They also increased textbook prices – today prices of between \$80 and \$120 are fairly standard for the big core introductory textbooks. But the increase in prices tended in turn to fuel another development which has played a fundamental role in the field of US textbook publishing: the growth of the used book market.

The growth of the used book market

The buying and selling of used books has been around for a long time. Books are durable and portable objects that lend themselves to the second-hand trade. This was true in the textbook business too – the practice of buying and selling used textbooks is not new. But in the 1970s and 1980s the used book market for college textbooks in the US began to grow into an industry of its own. In the past, the used book market for textbooks was largely a *local* and *fragmented* market; students sold books back to the bookstores on their campuses or to other students. But in the course of the 1970s and 1980s, the used book market became increasingly *national* and *organized*. The crucial developments here were the proliferation of used book jobbers, who bought up used textbooks and sold them on to wholesalers and retail outlets, and the increasing involvement of the retail sector in the used textbook business. The buying and selling of used textbooks became an increasingly routine and taken-for-granted feature of the retail side of the book business. Students bought textbooks knowing that they could sell them back to bookstores when they had finished with them, and increasingly they looked to buy a used textbook rather than a new textbook at the beginning of their course. The major college bookstores and chains – including Barnes & Noble College and Follett's – became not just retail outlets for publishers but also used book brokers in an increasingly sophisticated marketplace for second-hand textbooks.

The economics of the used textbook business are simple and straightforward. A college bookstore or retail chain will typically buy back a textbook from a student at 50 per cent of the price she bought it for, provided that (a) it is reasonably confident it can resell it (e.g. it knows that the course will continue to run next year and the faculty member will continue to adopt this text, and it knows it has fewer books in stock than it will need), and (b) the book is in a resaleable condition. The bookseller will then sell the used book at a mark-up of 50 per cent. So if the original selling price was, say, \$100,

the bookstore will buy it back for \$50 and then resell it for \$75. The student who sells back the book ends up with \$50 in her pocket; the bookseller, if it manages to resell the book, will get a margin of 33 per cent, which is better than the 20 or 25 per cent margin it normally gets on the sale of new textbooks; and the student who buys the book will get it for \$25 less than the cost of a new textbook. Everyone wins – except, of course, the publisher and the author, both of whom get nothing from this transaction and have lost a possible sale. Booksellers will also buy back used books using the same principles, provided that the two conditions apply.

A college bookseller can also acquire used books from used book wholesalers. One of the advantages of the big retail chains like Barnes & Noble College and Follett's is that they have created their own computerized networks for used textbooks which enable individual stores to enter their used book stock on a centralized database. Before any store orders new textbook stock, it can check the database to see whether another Barnes & Noble or Follett store has used books that it wants to offload, effectively creating a nationwide pool of used books that can be shipped around the country according to demand. So when a bookstore manager is planning his stock provision for September (the beginning of the academic year), he can try to provide most of the textbooks he thinks he will need by increasing his stock of used books before he orders any new books from the publisher.

To illustrate this point, one college bookstore manager described how he generally orders his textbooks for the fall semester. If it's a freshman course with an enrolment of, say, 1,000 students and with one textbook adopted as required reading, he assumes he will need about 850 copies of this text. If the adopted textbook has been around for a year, he knows that there will be used books; he knows that many students will be eager to sell and that the new students, if they're given the choice, will almost always choose to buy the cheaper used books. He assumes the store can buy back 350 books from its student body. The store then searches to fill the remaining need from book wholesalers, including but not only the chain of which his store is part – he will probably be able to acquire another 300 used books this way. This leaves a shortfall of 200, which he meets by ordering 200 new textbooks from the publisher. The bookstore will always sell the used books first, given student preferences, and may sell 100 of the 200 new books. The bookstore therefore ends up with 100 unsold new textbooks, which it returns to the publisher. So of the 750 books sold, only 100 (less than 15 per cent) are new textbooks supplied by the publisher. And, to make matters even worse, the publisher in this case would end up with a 50 per cent return rate on an order of 200 copies.

From the viewpoint of booksellers, this is good business. They're not concerned about whether the books they're selling are new or used, provided they are selling books and the margin is healthy. The main risk from the booksellers' viewpoint is that if they can't sell the books they buy back, they will find themselves holding stock that can't be returned to a publisher, so they have to do what they can to try to ensure that there will be a continuing demand for the textbook. If they do find themselves left with stock of used textbooks they can't resell – if, for example, a professor suddenly cancels a course or adopts a different text – they can make the unsold stock available in the nationwide pool of a chain (if they belong to a chain) or sell it on to a used book wholesaler, who will store it in a warehouse and fulfil orders from booksellers elsewhere in the country.

Students are the principal source of supply for used textbooks but they are not the only source. As the used book market began to grow, some professors began to sell some

of the books that were being given to them by publishers as examination copies. Just as the sales reps of the big textbook publishers would go to the campuses and visit professors to try to persuade them to adopt their new textbooks, giving away complimentary copies of the books, so too enterprising used book jobbers began to visit the campuses as well and knock on the doors of professors, offering to buy examination copies of textbooks for which the professors had no use. 'My next-door neighbour started a used book company,' commented one senior editor. 'He had guys with wheelbarrows going down the hallways buying the desk copies from professors. All he did was used books.' There are even stories of professors actually ordering books from publishers as examination copies for the sole purpose of selling them on – 'there was a lot of that going on.' Many publishers felt that there was something unethical about all this – that it was immoral for students and professors to sell their books. They may have been right if they were thinking of cases where professors were ordering examination copies with the explicit intention of selling them, but whether professors were behaving improperly if they accepted cash from someone who offered to take away books that had been sent to them unsolicited by a publisher is much less clear. 'If you send a book to a professor who didn't ask for it and he wants to sell it, I guess he can,' reflected one editor. 'If Lever Brothers or Colgate Palmolive send me a bar of soap and I wanted to sell it at a garage sale, I suppose that would be my right.'

Whatever the ethical issues, from a strictly economic point of view the rise of the used book market was disastrous for the textbook publishers. It meant, in effect, that the attrition rate from year one to year two increased dramatically. Before the used book market really took off in the 1980s, textbook publishers generally assumed an attrition rate of 10–20 per cent – that is, if a textbook sold, say, 20,000 copies in year one, they would generally assume that it would sell about 16,000 in year two. But with the rise of the used book market, the attrition rate skyrocketed to 60–70 per cent, in some cases to 80 per cent or more. So now the textbook that sells 20,000 copies in year one will typically sell only 6,000–8,000 in year two, and by year three it will be dead in its tracks. This was disastrous for publishers because they traditionally relied on second and third year sales to recoup the substantial up-front costs involved in textbook development and production. With the dramatic increase in the rate of attrition, this backlist revenue stream dried up.

The increase in the rate of attrition varied somewhat from subject to subject and course to course. The impact was particularly strong in the big service courses in which very few students would major, and it was strong in subjects like anthropology, which were popular credit courses for students who were majoring in other subjects. 'Anthropology is horrible,' said one senior editor:

You might sell 18,000 copies of an anthropology book in the 0 + 1 year¹ and in year two you might sell 3,000. In year three you might sell 1,500. This wasn't because people were dropping the book, this was because of used books. It was because the great majority of the students taking anthropology were not anthropology majors. They see no value in keeping the book. So they turn around and sell them as soon as the semester is over.

¹Some of the big textbook publishers bring out their new textbooks in August and treat August through December as zero year, and then the first calendar year is the first year – hence they refer to this first sixteen months as the 0 + 1 year.

The textbook publishers developed their own strategies to try to counter the growth of the used book market. One strategy was to create textbook packages for students. The textbooks were packaged together with other items, such as study guides and supplements of various kinds, and the package was shrinkwrapped and given its own ISBN. The publishers' reps urged the professors to adopt the package rather than the textbook on its own, on the grounds that the package contains materials that will be helpful for students. This would, in effect, take the used book off the market, since students would be required to buy the shrinkwrapped package rather than a used textbook on its own. But booksellers, who realized that they could no longer buy back individual textbooks if students were going to be required to buy packages, responded by talking directly to the professors themselves. As one bookseller recalled,

We went to talk to the faculty member to understand what package is being created, because the faculty member is hearing a story from the publisher's rep that this would be beneficial for the student, and what we want to do is to communicate with the faculty member and let them understand what the impact is for the student in terms of being able to sell their book, because believe me those students will go to that faculty member and be very upset with him when we have to tell them 'we can't buy this book back from you because the faculty member is requiring that package – why don't you talk to the faculty member?' So we want to explain what the implication is to the faculty member, and a lotta times they totally understand. We also have a strategy that we will break the package down in our system and we'll still buy back the individual books and we'll put them on the shelf and we'll let the student make a decision. So there's a lot of communication that goes on because of the packages.

The growth of the used book market creates new lines of conflict between publishers and booksellers, and as publishers search for strategies to counter the impact of the used book market on the sale of new textbooks, booksellers search for their own ways to counter the strategies of publishers, drawing on their own connections with the gatekeepers – the professors – in the colleges and universities they serve in an attempt to influence their decisions in ways that will elevate the interests of booksellers and students, both of whom have a stake in the used book market, over the interests of publishers, for whom the used book market is nothing but trouble.

But there was one card the publishers could play which would be difficult for the booksellers to counter: they could speed up the cycle of new editions. Twenty or thirty years ago, a textbook publisher would bring out a new edition of a successful textbook every four or five years. This would enable them to keep the book up to date and help to ensure that they did not lose market share to competing volumes. However, as the used book market took off, publishers began to speed up the cycle of new editions in order to render earlier editions obsolete. Now the typical cycle for new editions of the most successful textbooks is two or three years – every two or three years a new edition of the textbook will be brought out, revised, repackaged and re-presented to professors with the aim of persuading them to renew their adoptions and, indeed, securing new ones. The speeding up of the revision cycle was not dictated by – or at least not primarily by – the need to improve the content of the book; it was dictated above all by the need to neutralize the effects of the used book market. 'Very often there's little to change,' commented one editor, 'so you're putting out a new product that claims to be a new edition when almost nothing has changed.' In practice, the nature and extent of

the revisions vary from one edition to another. In some cases the modifications may be largely cosmetic – a new cover design, some fresh illustrations in the text, some updated references, a new preface, etc. – while in other cases the revisions are more thorough and far-reaching. But since, thanks to the used book market, three-quarters of the sales of major textbooks may be in the first year and the sales will be minimal by year three, a publisher who does not work to a revision cycle of two or three years will soon find that its textbook is dead.

From the viewpoint of sales, working to a two-year revision cycle would be ideal, since 90–95 per cent of the sales of a major textbook are likely to be in the first two years. 'In any large sizeable market, the most we can hope for now is three semesters worth of real sales, one and a half years,' explained one editor. But in practice, working to a two-year revision cycle is very demanding, and many publishers will settle for a three-year revision cycle for most of their textbooks. What this means in practice is that the first year is spent selling the textbook and monitoring sales; the second year is spent gathering information on how the book is being received, what is working and what isn't, what needs to be changed for the next edition, etc., and feeding this information back to the author who is, during this year, engaged in revising the text for the new edition; and the third year is spent producing the new edition. And then the cycle begins all over again.

Textbook publishers must therefore invest a great deal of time and effort in maintaining their successful textbooks in what is virtually a state of continuous revision. Sales reps provide a constant source of grounded feedback. As they travel from campus to campus and talk to professors and instructors, they get a good sense of what the gatekeepers like and dislike about a textbook. The sales reps have their ears to the ground and they relay this information back to the sponsoring editors – indeed, the sales reps operate more and more like 'editors in the field'. The big textbook publishers also employ development editors who manage the revision process, commissioning reviews from adopters and non-adopters and providing the author with comprehensive feedback on a chapter-by-chapter basis. As chapters are revised and new text and features are written, they are sent back to reviewers to ensure that they meet with approval from potential adopters. Sometimes focus groups are used to explore the strengths and limitations of a textbook and to identify areas in need of improvement. The aim of this intensive development process is to get the author – either on his or her own or with the assistance of one or more co-authors – to revise the text in the ways that actual and potential adopters judge to be desirable, and hence to revise the text in a manner that will enable the sales force to win adoptions for the new edition of the textbook and kill off the sales of the previous edition in the used book market.

The revision process often goes smoothly, but not always. It's very demanding on authors as well as on other staff, and successful textbook authors may find that they have become prisoners to their own work. Sometimes authors refuse to go along with this process and the textbook effectively dies. As one senior editor remarked,

Sometimes it is difficult. Sometimes the authors won't do it. Sometimes the books die because the author has refused to do that. The authors insist that the way they do things is the right way and if other people don't want it, that's too bad. We insist that we've made a tremendous investment in this and we have to protect our investment by making sure that it changes in the ways that it should. Some of the human factors are the most difficult –

they are not just legal issues, they are human issues. It is convincing people to do this. This is still a fairly gentle industry in terms of the way we treat our authors and the way we treat our customers.

Employing researchers or taking on one or more co-authors may ease the pressure on authors who are too busy to keep to this tight revision schedule, or who are unable or unwilling for other reasons to be chained to the relentless revision cycle of the modern textbook. Hence it is not uncommon for successful textbooks to metamorphose in terms of their authorship, usually retaining the original author who remains the brand name while acquiring one or more co-authors who update, revise and develop the content for the new editions.

Speeding up the revision cycle to every two or three years was an effective strategy for countering the effects of the used book market – indeed, it was, at the end of the day, the only effective strategy. Earlier editions of textbooks are still used by some students but the production of a new edition greatly devalues earlier editions on the used book market, even if it does not render them entirely obsolete. However, this strategy has come at a cost. Textbook publishers must invest a great deal of their time, effort and resources in striving to maintain the value of their existing assets – their copyrights – in a market that quickly penalizes publishers who leave their content unchanged. Continuous revision of content and frequent repackaging are the only ways to prevent your assets from rapidly declining in value.

Moreover, the fact that new editions had shorter lives meant that the sales horizon of textbooks had changed profoundly. In the past, textbook publishers could offset the low initial margins they usually faced on the first print-run of a textbook by the higher margins they would be able to achieve on subsequent reprints, when the textbook had become a healthy backlist title. But if the textbook was dead by year three, it had no backlist life and the publisher could no longer count on the healthy margins earned on later reprints. Hence all the costs involved in developing and producing the textbook, the extra expense involved in frequent revisions as well as the costs involved in producing the packages for both the professors and the students, had to be recouped in a sales horizon of two to three years. There was tremendous pressure on publishers to increase the prices of textbooks (we shall return to this point below). And increasing prices stimulated still further the used book market, exacerbating the vicious circle in which textbook publishers had become ensnared.

The vicious circle of used books and frequent revisions has resulted in what one editor described as a 'tremendous wastage of resources and time on the part of the major players in the college market trying to fend off used books'. Whether the textbook publishers realistically could have done anything to avoid this outcome is difficult to say. There are some who believe that textbook publishers could have responded differently; they could have been less moralistic and could have seen the rise of the used book market as an opportunity rather than a threat. 'They didn't get into the business themselves because they felt above it,' reflected one senior editor. 'It was the biggest mistake college publishers made. It killed them in the end.' It's not clear whether publishers themselves could have become effective players in the used book market, as this editor suggests; it's difficult to see how publishers could have avoided paying authors' royalties, for instance, and this would have put them at a competitive disadvantage in the market. In any case, having remained outside the used book business, the only truly

effective strategy left for the textbook publishers was to invest more and more time and resources in speeding up the revision cycle so that they could try to neutralize the effects of the used book market on the sale of new books.

Some consequences

What are the consequences of the three developments – the rise of the conglomerates, the package wars and the growth of the used book market – which together comprise what we could describe as the logic of the field of higher education publishing? How has the logic or dynamic of this field altered the behaviour of the players within it? What consequences has it had for the practices of textbook publishers and for the nature of what they produce?

Few would deny that textbooks today are produced to a much higher standard than they were twenty or thirty years ago – they are more attractive, better illustrated, more up to date, easier to understand, filled with a variety of interesting sidelines and useful pedagogical devices and accompanied by a range of helpful ancillaries. Whether students care about all this much less clear. As one seasoned editor remarked:

Students do not care a whit about the better qualities of the modern child psych text. In market research publishers have done, when students or professors are polled, the vast majority of students say they would prefer a lower priced text without color to the high-priced text with color. Yet, professors, when examining new texts, will rarely consider a one-color text in child psychology, no matter how inexpensive it is. Publishers have tried with one-color texts that are low-priced, but they have simply failed. So there is apparently no turning back.

Students would prefer cheaper books, but given the structure of the adoption system, students' preferences are not the factor that drives the practices of the textbook publishers. Their practices are driven by sales, and sales are determined to a very large extent by the decisions of the gatekeepers who are swayed by factors other than price. By constantly upping the ante in the struggle to win adoptions, the publishers have, in the opinion of this same seasoned editor, painted themselves into a corner:

It seems to me that publishers have indeed painted themselves into an interesting corner as an industry by raising the ante every year, adding more and more sizzle for smaller and smaller shares of a market that has not grown nearly as much as our costs. In trying to beat the competition, we have gone beyond common sense in pursuit of market dominance.

The big textbook publishers are locked into a cycle of producing ever more elaborate textbooks and packages and of continuous revision which, together with the connivance of the gatekeepers, is very much of their own making. The stakes are high, the barriers to entry at the lower levels of the curriculum are prohibitive and the competition is intense. Not all will survive, and further consolidation among the commercial textbook publishers seems likely.

I shall explore some of the consequences of these developments by focusing in this section on five issues: (1) disciplinary encroachment, (2) the end of one-off publishing,

(3) the homogenization of content and practices, (4) the decline of representation and the marginalization of low priority texts, and (5) representation fatigue. In the following section I shall pursue a sixth issue which is becoming increasingly important – the problem of sell-through breakdown.

(1) *Disciplinary encroachment* In the 1970s and before, most textbook publishers tended to focus on certain disciplines which they made their own, and tended to steer clear of other disciplines where they knew their competitors were particularly strong. It was an approach that involved a mixture of strategic self-interest (concentrating on one's strengths and not trying to do everything) and an attitude of mutual respect characteristic of the traditional gentlemanly publisher. But as the conglomerates got bigger and the competition intensified, this attitude of mutual respect went out of the window and publishers sought to expand their textbook programmes in any subject area where opportunities seemed to present themselves, irrespective of whether that subject area was one in which they had traditionally been strong. The large conglomerates became omnivorous in disciplinary terms. They encroached on the disciplinary territories of their competitors and sought to develop competing texts which, they hoped, would take away some of the market share of the textbooks which had established themselves as dominant in the field. The mixture of mutual respect and strategic self-interest which had once kept the textbook publishers at arm's length from one another in terms of their disciplinary specializations gradually gave way to a kind of free for all in which the main textbook publishers compete against one another across many (if not all) of the core textbook subjects. One managing director put it this way:

The biggest difference from twenty-five years ago is that none of us publishers has the proper respect for the other in the sense that, roughly speaking, when I came into the business there was a dominant textbook, maybe two dominant textbooks in each field and everybody sort of said, OK, Norton's got English literature, I've got economics, I'm going to be happy with my economics, Norton can have its Anthology of English Literature and that American history book that Harcourt publishes will be the major American history textbook. But what's really changed now is that some publishers began to say, OK, we're doing really well in history but let's also try to do an economics textbook to compete with McGraw-Hill's textbook. And we've started to do the same thing too, to fill in the holes.

The result is that the big textbook publishers become locked into increasingly intensive struggles for adoptions and market share across the whole range of core textbook subjects, as each organization tries to cover more and more subject areas. Moreover, as the large conglomerates acquire more firms and incorporate more and more titles into their ever expanding lists, their publishing programmes tend to become more diversified. Thanks to acquisitions, the large conglomerates also tend to find themselves with numerous textbooks in the same subject area pitched at roughly the same level of the curriculum, which creates problems of its own – we shall return to this point below.

(2) *The end of one-off publishing* As the large conglomerates acquire more and more critical mass in certain subject areas, they gain certain competitive advantages. They can invest large sums of money in developing the package for one key textbook and then use the package (or parts of it) for a cluster of other textbooks in the same

subject area, thus spreading the costs over half a dozen or more texts. It becomes much harder for smaller publishers with only one major textbook in a certain subject area to spread their costs in this way. Hence the smaller publishers have to decide either to expand their list in a particular area and to try to compete seriously with the big players or to get out of the area altogether. 'You can no longer be a one-off publisher, which is the term used if you want to dabble in a field,' remarked one senior editor at a smaller house. 'What the conglomerates have forced us to do is to stop doing one-off publishing and to develop entire lists in an area.'

The problem is that this is costly and risky – and increasingly so as the competition gets more intense. If a publisher wants to have any presence at all in a field, it has to invest more and more in expanding its list in that area so that it has a growing set of textbooks over which it can spread the ever increasing costs of waging the adoption struggles. The costs of entering a field are high, and if it wants to enter a new field it has to make very smart business decisions. 'If you're going to start a list in biology, you better be damn sure that you've backed the right horses with that first key book and that it does beautifully, so that you can then do all these satellite books around it having developed the brand name.' A publisher can lose a great deal of money if it gets these initial decisions wrong. The intensity of the competition means that either it has to invest heavily with the aim of becoming a major player in the field or it should stay out altogether, and if it does decide to invest the risks are high. 'It's forced the issue: now you need to do systematic, across-the-board, discipline-based fully fleshed out lists, but it puts a lot of pressure on doing it right.'

(3) *The homogenization of content and practices* As the commercial textbook publishers strive to maximize the sales potential of their core textbooks and to strengthen the market position of subsequent editions, the size of the textbooks tends to grow and the content tends to become more and more similar from one textbook to another. The development process involves consulting a large number of potential adopters, and authors are encouraged to revise the text in ways that will appeal to the broadest market segment. The aim is to develop the text so that it will match the syllabus as it is taught at a range of institutions, and to do so in a way that will maximize the adoption potential. Authors are generally discouraged from expressing strong views which could offend some potential adopters, or from developing views which could be regarded as idiosyncratic. Moreover, since adoptions for some core textbooks are made by committees at some of the larger universities, the publishers are generally inclined to make their textbooks more and more comprehensive, covering all the major topics and subfields, since it is not worth the risk of alienating a particular member of an adoption committee by leaving some topics out. And of course, the publishers themselves are constantly looking over their shoulders to see what their competitors are doing. They know which textbooks are the leaders in the field and they scrutinize their structure and content carefully, often modelling their own textbooks on the market leaders. Hence the major competing texts put out by the big textbook publishers begin to look increasingly similar, covering similar topics in a similar style and tone, produced in a broadly similar way and always accompanied by an elaborate array of supplements.

It is difficult for a publisher to deviate too much from this if it wants to compete in the core textbook market, because the more distinctive its textbook is, the more it risks losing adoptions and hence the more cautious it has to be in terms of what it can afford

to provide in the way of internal illustrations, electronic supplements, etc. If it wants to be able to justify a large development budget, it has to aim for the largest segment of the market, which means comprehensive coverage and an even-handed, non-controversial approach. Asked about the implications of these trends, and especially of the growing consolidation within the industry, for the nature of the educational products, one senior editor responded like this:

Well, I think they've homogenized them to a tremendous degree. To compete today they have to be very, very mainstream. It's like the department stores. When I was a kid you could go to Sears and buy almost anything. Now you can only buy what they think you are going to buy before you go there. So they don't offer nearly as much in the lines. They discontinue departments because there aren't enough people.

Does the competitiveness of the textbook business today mean that in your commissioning and development processes you have to try to satisfy as many different constituents as possible and, therefore, you have to avoid being overly controversial?

I think to a degree. If you are aiming at a particular part of the market, you want to have some edges to things and you want to be able to appeal a little bit outside of the center of that particular market segment. But it is extremely difficult to do that. You are asking people to give up too many things. You are asking people to give up color. You are asking people to give up electronic supplements, test files. How many things are you going to ask them to give up in the process?

As the big publishers move increasingly towards the production of more standardized, homogenized 'vanilla' textbooks, they create opportunities for smaller players to develop texts which have a more distinctive perspective and flavour. In some cases the smaller players may emphasize this distinctiveness as a way of differentiating their textbooks from the more standardized products of the big publishers. But the more distinctive the approach, the more difficult it generally is to gain a significant market share at the lower levels of the curriculum in the core textbook subjects. It is more like 'nibbling away at the edges', as one senior editor put it.

It's not just the homogenization of content that is at issue: it's also the homogenization of practices. With growing concentration in the industry, there are fewer major players and they all tend to operate in fairly similar ways. They use similar methods of commissioning, developing and marketing textbooks, they prepare similar kinds of packages and staff are trained in similar ways. Moreover, key personnel often move from one corporation to another, so many have some personal experience of the methods used by their competitors. 'The real danger', said one senior manager, 'is that we are very similar to each other. We are in-breeding. That's risky.' He elaborated:

There are far fewer players than there used to be, which means by definition that it is more competitive because you've got five or six major players frankly doing similar things. Through acquisition and through people moving and changing, it is a fairly incestuous industry. The training process, the missions, the publishing styles, the production qualities, the supplement usage are very similar across all of those publishers. So you are in a very competitive market, a very similar market where the ability to differentiate one's self is harder than it used to be ten to fifteen years ago, which means you've got to be a lot better at what you do, as does everyone else.

(4) *The decline of representation and the marginalization on low priority texts* Despite the many changes that have occurred in college textbook publishing over the last twenty years, the adoption system remains intact and the major textbook publishers continue to count on the capacity of their sales reps – the college travellers – to win adoptions for their new textbooks and new editions. But the dynamic of the field has meant that, for the large textbook publishers, the efforts of the sales reps to win adoptions have become increasingly focused on the core textbooks aimed at the lower levels of the curriculum, at the expense of those textbooks which are aimed at higher level courses where the numbers are smaller. The big textbooks for the large freshman courses demand more and more of the sales reps' time and attention – winning adoptions for these texts is the real prize (and is appropriately rewarded by the bonus system). Reps may have neither the time nor the incentives to call on professors teaching upper-level courses where the numbers are smaller and where winning adoptions will never translate into sales on the same scale as adoptions at the freshman level. The result is that textbooks for upper level courses are not given the same kind of representation as the big freshman textbooks or the gateway sophomore textbooks. Indeed in many cases they are not represented at all by the college travellers but are promoted by direct mail or by what's known as 'blind comping' – that is, sending out complimentary copies to professors who appear to be teaching relevant courses, with little or no follow-up.

The problem of representation is exacerbated by the increasing consolidation within the industry. As a result of mergers and acquisitions, many textbooks that previously would have been stellar titles on smaller lists now find themselves sitting alongside numerous other titles on a large list, and they may be competing with some of these other titles for market share. An editor in psychology or economics may now find that she has eight, nine, ten or more intro psych books or principles of economics texts where formerly, in a smaller firm before the days of conglomeratization, she would have had only one. Given the pressures on staff within the large conglomerates, not all of these titles can in practice be given the same degree of attention or promoted with the same degree of effort. Prioritization will inevitably occur, and the titles with lower sales figures and smaller market shares will tend to be marginalized in favour of the titles with stronger sales histories.

The marginalization of low priority titles tends to occur at two different levels. In the first place, editors and development teams cannot treat all of the textbooks equally, and cannot give all of them the same degree of attention and investment when it comes to producing new editions. Hence the quality of some of the textbooks will tend to decline relative to the competitors, and they will gradually lose market share. As one editorial director put it,

You have a diminution of quality editorially because you can't do as good a job. Anyone who's a quality person will say that a good textbook is crafted very carefully, and you really have to pay close attention and work with your customers and your author and a development team to craft that tool so that it works just about as perfectly as it can in the classroom, and that includes a huge support package now. So if you've got seventeen intro psych books and one psych editor – or maybe now you have two psych editors – you can't control it. You're into a Darwinian situation now: survival of the fittest.

The large corporations pour more and more resources into the most successful textbooks on their list, revising them and supporting them with huge budgets in the attempt

to maintain or increase their market share, while the less successful textbooks tend to get neglected. Some will wither on the vine as their sales and market share decline. Some of the more marginal textbooks may eventually be discontinued and their authors cut loose ('I get calls all the time from authors who've been released,' said one well-connected editor at a smaller house). As the battle between the titans turns increasingly into a struggle for market share at the lower levels of the curriculum, those textbooks that are not vital stakes in this struggle will tend to become increasingly marginalized in the editorial development process and their quality and market share will gradually decline.

The marginalization of the low priority texts also occurs in the repping process. When a conglomerate acquires a whole new set of textbooks that formerly belonged to another house, the sales reps may find themselves in the awkward position of trying to win adoptions for two or more textbooks that cover the same material and are pitched at the same level – in effect, the books are competing against one another for market share. In practice the reps are bound to engage in some degree of prioritization, and to push some textbooks in certain contexts harder than others. The inevitable result is that some textbooks are going to be given less representation; they may be very fine textbooks, but they may not have the same kind of market share in the conglomerate's expanding stable of intro psych or intro economics books and hence they will not be given the same degree of attention and push in the day-to-day process of repping. There are some in the industry who see this skewing of the representation process as a serious loss for authors and as the real tragedy of conglomeratization. The managing director of one of the smaller textbook publishing firms put it like this:

What's also happened with all the conglomeratization is that some of the big publishing groups will have at least twenty introductory economic textbooks among their various lists. I would argue that, first of all, the situation is much worse for an author because you would rather be a publisher's only introductory economics author, even if they have only forty reps, than one of twenty introductory economics authors even though you might have three hundred reps. If you are the biggest fish in that big pond you are happier, but the nineteen others would be a good deal sadder. I actually think that's the real tragedy of this conglomeratization. I think that there is a lot less variety. But there is a lot less good representation for some books that really were wonderful and strong and important. If they had been published by a smaller publisher, they'd still be getting their good, strong representation. But because they're just slightly less successful than another book at a conglomerate, they don't do as well.

In practice, the prioritization of some textbooks within the large conglomerates means that those texts with strong sales histories and significant market shares will command more and more resources and will become the focus of more editorial and marketing effort, while those texts with less impressive track records in sales terms will become increasingly marginalized even though, in terms of the intrinsic quality of the text, they may be excellent books. There are winners in this game – the resources that are poured into the most successful textbooks are unprecedented, as is the development and representation effort. But there are losers too, and many of the books that are not prioritized in this way will gradually fall by the wayside.

(5) *Representation fatigue* The changes of the last two decades and the intensified competition at the lower levels of the curriculum have also had an impact on the nature

of representation and the relation between sales reps and potential adopters. It is easy to romanticize the past and to paint an excessively rosy picture of how reps and professors interacted in earlier decades, but there are some people who have been in the business for a long time who believe that there has been a real change in this regard:

In the old days it was much more collegial, the publishing rep was a purveyor of information – what's going on out there? What are the trends in my discipline? These kinds of conversations don't take place anymore. The traditional model is broken in the sense that the trust that used to exist between a professor and a publishing rep is gone. They know that the big commercial publishing rep is coming down the hall to stuff something down their throat and all they want is the business.

The traditional relationship between the sales rep and the professor was a rather genteel relation based on a form of trust and mutual respect that was built up over time. But as the conglomerates have grown in size and the investment in the big freshman textbooks has escalated, the struggle to win the big freshman adoptions and to increase market share for the flagship textbooks has become more intense. There is a lot at stake for the corporations and for their sales reps, and the interactions with potential adopters tend to veer towards the hard sell. Some professors respond with a kind of weariness, a 'representation fatigue' – they see the rep coming down the corridor and they walk the other way. They don't want to know. 'Intro psych is the perfect example of people running the other way, closing their doors. They don't want to go through the ritual. They've got a stack this high of intro psych books and you can see their eyes glazing over.' They are happy to see you if they've already adopted your textbook but – apart from a few quite exceptional cases – they don't want to sit through another presentation of yet another introductory textbook in a field which is already overflowing with intro books.

The problems are exacerbated by the fact that professors are busier than ever and are often reluctant to spend time listening to a rep talking about a new textbook when they already have more than enough to choose from. They are also exacerbated by increasing turnover among sales reps. In circumstances where the big core textbooks begin to look more and more the same, covering similar topics and accompanied by similar packages of supplementary materials, the personal relationships formed between sales reps and professors may play an increasingly important role in adoption decisions. Having long tenure in the field and taking the time to form relationships with professors – 'shooting the breeze' as one former rep put it – can make all the difference. But if there is a high turnover among sales reps, it becomes very difficult to form long-term relationships of this kind. Some of the big textbook publishers have become increasingly conscious of the importance of this factor and have introduced incentive schemes to encourage reps to remain in the field. They've become increasingly aware that, as the big textbooks become more and more similar, more and more depends on what happens in the sales relationship. As the textbooks and packages become more indistinguishable, the selling process becomes more important. 'If I were assigning percentages to what counts in the adoption,' explained one senior executive, 'I would say that in most of these very mature markets where there are five or six really good choices, 70 per cent is the book, 20 per cent is the rest of package that goes with it and 10 per cent is the rep – except if everybody has got that 70 and that 20, then in fact the way the decision plays out, the rep is 50 per cent or more of what actually happens in the end.'

Given how much is at stake, some of the big publishers are willing to go to considerable lengths to win key adoptions. If a professor would like special materials to help teach a course, such as a customized set of slides or a modified test bank, the sales rep may try to provide it even though it is not part of the standard package for the text. Stories abound of practices which are more dubious in character, including some which amount to a kind of soft corruption ('dirty adoptions', as they are sometimes called) – such as cases where the publisher pays a dollar or two into an 'education fund' for a particular faculty for every copy sold to its students, or where the publisher makes a small alteration to the text to 'customize' it for a particular professor who is then treated as a co-author and paid a share of the royalties on every copy sold of this edition, or where the publisher agrees to pay excessively large reviewer fees to instructors on condition that they adopt the book, and so on. These practices are no doubt the exception rather than the rule, but they do highlight what is at stake today in the college textbook business. Everything depends on winning the big adoptions, and if on occasion this requires an exchange of favours between the publisher and the gatekeepers in the adoption system, this is not necessarily ruled out.

In the final analysis, however, a great deal still depends on the intrinsic quality of the textbook. There are many in the industry who will say – providing examples to back it up – that no matter how much money you throw at a new textbook and no matter how hard your sales reps push it, if the text isn't good enough it simply won't succeed. 'Everyone says the textbook is just a commodity, it's all package-driven and it's all rep-driven – in the end it's not,' observed one experienced editor. 'There are too many really good books out there for that to be the case. The best books dominate because they are the best books.' The other side of this is that, despite the fact that the freshman market is very crowded, it is still possible to launch a new textbook into this market if it has the right author and the right content, and if it is heavily backed with investment in development and production – including the full package of supplements – and with a bonus scheme for reps. Substantial investment in textbook development, four- or five-colour production, elaborate multimedia packages and a sales force of reps with suitable incentives are all necessary conditions to win the adoption battles in the crowded and intensely competitive freshman markets, but they are not sufficient conditions. They are the entry conditions, the conditions that must be fulfilled if you want to play the game, but these conditions alone don't determine success. Quality does still matter.

The problem of sell-through breakdown

We have been examining some of the consequences of conglomeratization and of the dynamic that has driven the textbook publishing industry over the last two decades, but there is one very important issue that we have not yet addressed – the problem of sell-through breakdown. Many of the textbook publishers report that during the last couple of years the problem of sell-through breakdown appears to be getting significantly worse, resulting in declining unit sales and even higher returns from the bookstores – one textbook publisher reported that its returns were running at 37 per cent in 2002. The contrast with twenty years ago is striking. One senior figure who has been in the business for many years put it like this: in 1980, if you secured an adoption for a course with 300 students, in the first year of the first edition of the textbook you could count

on nearly 300 sales – in other words, the sell-through would be close to 100 per cent. Of course, the sell-through in subsequent years would decline, thanks largely to the used book market. By 2000, however, an adoption for a course with 300 students would typically generate sales of only 150 units in the first year of the first edition – the sell-through had fallen to around 50 per cent. And this is before you take account of the used book market, which only really kicks in during the second year. The sell-through problem has now become so serious that it is being openly talked about in the industry and has become a source of growing concern.²

What is the source of this problem? The origins of the problem can be traced back to the rise of the used book market and to the competitive dynamic that is built into the adoption system. As we saw, the rise of the used book market greatly shortened the sales horizon of textbook publishers. The backlist life of the textbook was increasingly undermined and most of the revenue for a particular edition of a textbook had to be generated in the first year of sales either by increasing unit sales during the first year or by increasing prices (or both). Moreover, textbook publishers poured more and more resources into the development and production of textbooks and of elaborate packages to keep up with their competitors and to try to outmanoeuvre them in the struggle for adoptions, and they had to absorb the escalating costs of these adoption struggles by raising the prices of the textbooks. The multimedia packages (and subsequently the companion websites) were key weapons in the struggle to win adoptions, but the packages were effectively given away to the professors – they were freebies, not revenue-generating products. The only way the publishers could generate revenue was by selling textbooks to students, and the increasing costs of textbooks and packages could be recovered only by increasing prices. Since the decision-makers were not the ultimate purchasers, the logic of the adoption system created a form of non-price competition between publishers, who simply increased their textbook prices in order to meet the costs of waging the increasingly expensive struggle to win adoptions.

So the combination of the shortened sales horizon caused by the rise of the used book market and the increasing costs of waging the adoption struggles created a strong and constant pressure to increase the prices of textbooks. Indeed textbook publishers settled into the practice of raising their prices every six months almost as a matter of routine. Even if they weren't achieving significant increases in unit sales, they could still increase their revenue year on year by steadily increasing their prices. In recent years the industry has settled into a practice of raising its prices twice a year by about 3 per cent each time. There are some who say that this is what accounts for most of the growth in the industry, which in the last few years has been about 6–8 per cent per annum. It was generally assumed that the ultimate consumers – the students – were a captive market and that they would buy whatever their professors told them to buy. So the key thing was to win over the professor, and the cost of doing so could be passed on to the student in the form of higher prices.

² It should be noted that senior figures in the industry offer differing assessments of the scale and significance of this problem. One senior executive at a major textbook publishing firm disputed the view that the problem of sell-through breakdown is getting worse. He contended that their textbooks were still selling through in their first year at more or less 100%, and that the steep decline in years two and three was due entirely to the used book market. However, this is very much a minority view. Most senior executives are concerned – and increasingly so – about what they perceive to be a growing trend in the market.

But there are signs that this cosy arrangement, which has underpinned the growth of the textbook industry over the last few decades, is beginning to come unstuck. The student was always the silent partner in the traditional textbook model. Publishers listened very carefully to the gatekeepers because they needed their adoptions in order to survive, and they interacted with booksellers because they were their immediate customers, but they didn't pay much attention to students because they assumed that students would buy what they were told to buy. It was the gatekeepers who mattered, and it was the gatekeepers upon whom they lavished ever more elaborate packages to help them teach and examine their courses. But now the silent partner in this deal is demanding to be heard in the only voice that really matters: they are refusing to buy. They regard the prices as too high and they are inventing all sorts of ways to avoid doing the one thing they were supposed to do, which was to buy the books. One senior manager put it like this:

As an industry and in all sectors, we have reached the absolute ceiling in terms of prices. The sell-through is half of what it was. Students are actually signing up for the same courses as roommates so that they can go halves on a book, or they're just not buying the book, or the bookstores are letting them read the books in the bookstores, or they're renting them for a week before finals and then returning them to the publishers. So you have a 300-student course and maybe 120–50 copies get sold.

The same manager cited a case where a professor told a rep that he wasn't going to use a textbook any more because the prices were simply too high – 'I'm going to put together my own coursepack. I don't need a textbook and I don't need my students to spend \$110 on one.' The fact that concerns about prices are now being expressed by the gatekeepers is significant. In the past, reps often asked professors whether the price of textbooks mattered, and up to the late 1990s they always said it didn't matter. They would choose what they thought was the best book; price wasn't an issue. But now price is becoming an issue.³ Professors are talking about it and they are telling reps that it does make a difference in terms of their adoption decisions. Why? 'Because the students are screaming bloody murder at these professors. They're saying I'm just not going to buy the book, sorry.'

The high prices of textbooks have also encouraged students to shop around and look for cheaper ways of acquiring them, often going online to compare prices and search for used copies. There has been a proliferation of online bookstores – campusbooks.com, eCampus.com, textbookx.com, cheap-textbooks.com, etc. – which offer specialized services to students seeking the cheapest available textbooks, new or used. This creates growing problems for campus bookstores, who are losing sales to online retailers and finding themselves obliged to return even more copies to publishers at the end of the semester. It also creates new problems for the publishers, who find that the same textbooks which their overseas subsidiaries are selling at lower prices – often half the price or less – are being imported back into the US and undercutting their own sales, as well

³ It's even become a public issue, making it onto the pages of the *New York Times* and taken up by Senator Charles Schumer of New York. See Tamar Lewin, 'When Books Break the Bank: College Students Venture beyond the Campus Store', *New York Times*, 16 Sept. 2003, section B, p. 1.

as generating more bad publicity for the publishers.⁴ Given that the internet has created a system of globalized metadata where prices can be compared by consumers irrespective of where they happen to be located, it seems likely that the big textbook publishers will become increasingly cautious about allowing their key textbooks to be sold at heavily discounted prices in overseas markets. They simply cannot allow their domestic US sales to be undercut by the seepage of cheaper overseas editions back into the US market.

The problem of sell-through breakdown presses to the very heart of college textbook publishing. For, as we have seen, the whole industry is based on a particular model of decision-making which defines the relations between the publishers, the professors who make the decisions about whether to adopt a textbook and the students who ultimately buy the book, and it is this model – the adoption system – which is being called into question by the growing problem of sell-through breakdown. For now the party who has been the silent partner in the system, and whose willingness to buy the books adopted by their professors has kept the industry going and funded the package wars that have been waged in their name, is beginning to say that this game is getting too costly and they're not sure they want to play it any more. For years, students were largely excluded from the knowledge triangle, but now, with sell-through breakdown on the rise, the publishers are beginning to listen. As one college publisher observed,

College publishers have been great about listening to their customer who was the professor, but now they're realizing that there's another customer who's entered the picture who wasn't there before – the student. And that student is making himself heard, and he's saying 'sorry, but you guys have been playing without me and I'm really the consumer and guess what, I count.' And think about it: what the student has paid for over the last twenty years is the *comfort* of the professor – the free test banks, the laser disks, the video tapes, the software, you name it, they get it, it's endless. All this stuff is free, and it all gets added on as a cost and the only way to make it up is price. The student has funded this whole free-for-all in terms of free ancillaries, and now the student is saying the chickens are coming home to roost.

The views of students were not completely ignored in the past. Some publishers have involved students in the development of textbooks, soliciting their views on content, presentation, etc. – the students get paid, they get their names in the book and so on. But the extent to which the big publishers actually took account of students' views was generally very limited. 'In the end, that's all marketing,' commented one senior editor. 'The real student point of view is price.'

What makes the problem of sell-through breakdown so worrying for the textbook publishers is that it's not entirely clear what they can do about it. The competitive dynamic of the adoption system has raised the bar of expectation in terms of the production quality of textbooks and the array of supplements that are provided to professors free of charge, and it would now be difficult to go back on these features without

⁴Tamar Lewin, 'Students Find \$100 Textbooks Cost \$50, Purchased Overseas', *New York Times*, 21 Oct. 2003, p. 1. 'We think it's frightening, and it's wrong, that the same American textbooks our stores buy here for \$100 can be shipped in from some other country for \$50,' Laura Nakoneczny, a spokeswoman for the National Association of College Stores, is quoted as saying. 'It represents price-gouging of the American public generally and college students in particular.'

running the risk of losing adoptions. 'We've got into one of those unfortunate vicious circles where the books are too expensive and no one knows how to make them cheaper any more', as one managing director put it. Some publishers have tried to introduce cheaper one-colour textbooks that could be priced much lower, but in the past experiments of this kind have not been very successful. Many professors seem to have become accustomed to the lavish four-colour production and the array of supplements which are intended to make their life easier, and they seem reluctant to do without them. Whether a growing sensitivity to prices on the part of some professors will create a more congenial environment for less lavish editions remains to be seen. Some publishers are now offering a range of what they call 'lower-cost alternatives' – e.g. selected textbooks which are being offered at \$15 or \$20 less than competing titles, or textbooks which are being offered in looseleaf at 30 per cent off – in the hope that these will appeal to some professors who are concerned about price. (The looseleaf editions have the added advantage, from the publisher's viewpoint, of undercutting the used book market, since used book vendors can't be sure the editions are complete and are therefore unlikely to want to buy them back.) Some publishers are placing renewed emphasis on customized editions of the big textbooks, in the hope that by tailoring the contents more closely to the needs of professors and students they will be able to bring down costs and increase sell-through (we shall return to the customization of textbooks in chapter 14). Some are also setting up their own online bookstores to sell textbooks directly to students in the hope that, by cutting out the bookseller's margin, they will be able to reduce the final price to students and increase overall sales.

Could publishers simply lower the prices of their textbooks without reducing the quality or slimming down the package? Are they simply charging too much for their existing textbooks and being too greedy in terms of the profit margins they are generating for themselves? The problem for the big textbook publishers is twofold: first, their overheads are high; and second, while margins may be very good on the most successful textbooks, there are many textbooks on their lists, with first-year unit sales in the region of 15,000–20,000 copies, where the margins are already under considerable pressure given the level of expenditure involved. The smaller textbook publishers have lower overheads and may therefore have more room to manoeuvre in terms of price freezes or even price cuts, but even they would find this very difficult because the competitive logic of the adoption system militates against it. As one editor at a smaller textbook publisher put it, 'it's hard to envisage lowering prices given the climate we're in where there's tremendous pressure to do more with the package and to make the books heavily and more expensively illustrated.'

Might there be price wars among the big textbook publishers? No one rules it out but few think that it's likely. The role of the adoption system in the struggle for market share is too important and would probably override the growing concerns about sell-through breakdown. As one managing director put it,

As the big publishers become increasingly desperate for market share, I think that rather than a price war we're going to continue with non-price competition. They're going to throw more and more money at lavish video supplements to their textbooks, CD-ROM supplements, test preparation, test corrections, etc. They will probably try to find ways to make it very, very expensive for smaller publishers to be involved in the market. To some extent they may lose money doing that and willingly so, just to force people out of the market.

While sell-through breakdown is perceived as a growing problem by the big textbook publishers, their preoccupation with gaining market share may override their concern with prices, at least in the short run. Whether they will be able to put this problem aside if the sell-through continues to decline as it has in the last couple of years is not at all clear.

Some in the industry express the hope that new technologies will provide at least part of the solution to the problem of sell-through breakdown in the medium to long term. The hope is that new technologies will enable publishers to reduce the size of the big textbooks and shift most of the illustrative material onto companion websites or CD-ROMs. As one senior executive put it,

I see a textbook of the future that is still going to be a printed book but it's not going to have all the illustrations in it. The student will have her computer on while she's reading her assignment and for some of the best illustrations will turn to her computer screen and a CD-ROM or some form of delivery that gives her the lovely four-colour illustrations. That may prove to be a much less expensive textbook. It may be less expensive to give kids a CD-ROM and a one-colour textbook and that may ease the pricing pressure in a helpful way.

This scenario is a possibility, and the growing problems of sell-through breakdown have encouraged some of the big textbook publishers to experiment with ways of delivering content electronically in the hope that, by enabling them to bring down prices, it will stimulate sales. But, as we shall see in a later chapter, the history of experiments in this domain does not provide a strong basis of evidence to suggest that these new initiatives will be strikingly successful, at least in the short term. The printed textbook remains the core revenue-generating product for higher education publishers, and the competitive logic of this intensely competitive field has tended to drive the big players to produce ever more elaborate packages and has discouraged them from scaling down the printed versions of their key textbooks in any significant way.

Not everyone in the industry would agree that the problem of sell-through breakdown is the most serious problem facing textbook publishers today, but most would agree that it is a major problem and many fear that it could get worse. With returns increasing, sell-through declining and students not buying in the way they used to, these are challenging times for textbook publishers, and how these developments will play themselves out in the coming years is by no means clear.

9

Higher education publishing in the US (2): the differentiation of the field

In the previous chapter I examined the evolution of the field of higher education publishing with reference primarily to the activities of the large textbook publishers. We saw how the logic of the field, and in particular the increasing scale of investment precipitated by the package wars, obliged the large textbook publishers to concentrate their efforts increasingly on the lower levels of the curriculum where they could hope to secure the kinds of adoptions that would translate into substantial sales. Hence the competition at the lower levels of the curriculum has become increasingly intense, and it has become more and more difficult for smaller publishers or new entrants to compete at this level – the barriers to entry are simply too high. But the more that the large textbook publishers were forced to move down the curriculum, the more opportunities there were for smaller publishers and migrants from other fields to find market niches at the upper levels, at the junior and senior levels of the undergraduate programme and at the graduate level. Moreover, there are some subjects, such as the humanities (history, literature, philosophy, etc.) and the 'softer' social sciences (sociology, anthropology, political science, etc.), where many professors are inclined to use materials other than standard textbooks in their classes, either as supplements to a textbook or, in some cases, as alternatives to it. So the more you move up the curriculum and the more you move into subjects like the humanities and the softer social sciences, the more complex the picture becomes in terms of the provision of the textbooks and other teaching materials which are used by professors and students in higher education.

While the previous chapter focused on the overall structure of the field of higher education publishing in the US and sought to identify the central logic or dynamic that has shaped the evolution of this field in recent decades, in this chapter I want to focus on the differentiation of the field and to bring out some of its internal complexity. I shall begin by analysing some of the main dimensions of differentiation. I shall then look at the results of an important study which examined the material actually used for teaching in history and literature at a number of universities. This will provide the backcloth against which I shall explore in more detail the changing role of the university presses in the field of higher education publishing and the rise of the coursepack business.

Differentiated markets for textbooks

The field of higher education publishing in the United States is stratified and differentiated in various ways – I have already mentioned some, but now I want to analyse these