E-textbooks: will there be a role for the college bookstore in their distribution?

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E-Textbooks: Will There Be a Role for the College Bookstore in their Distribution?

by

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Abstract

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E-Textbooks: Will There Be a Role for the College Bookstore in their Distribution?

Chairperson: Maureen Fleming

The Bookstore at the University of Montana faces an uncertain future with the possible introduction of electronic textbooks on campus. Traditionally existing in an environment with little or no competition, e-textbooks may alter the Bookstore’s competitive landscape. The Bookstore at UM is a monopoly. Virtually all student textbooks are purchased through the Bookstore. The Bookstore’s core competencies are customer service and rights management. In an effort to serve its student customers better the Bookstore has come to rely increasingly on selling used textbooks. Publishers do not like the market in used textbooks because they receive no money from the sale of used books. As a consequence, publishers are pushing for the adoption of e-textbooks, which cannot be returned and then resold as used books.

E-books are any book that is delivered digitally. E-textbooks are e-books in an educational market. E-books may alter publishing dramatically by giving authors and publishers the opportunity to reach readers directly, bypassing their traditional intermediary, the bookstore.

E-textbooks can be delivered and accessed in a variety of ways. Some can only be accessed via the World Wide Web. Others are downloadable and printable. All e-textbooks offer a variety of customization options for the professor and the students. E-textbooks may not be better for student use than the traditional, printed textbook, but publishers are pushing for their adoption.

The Bookstore can respond to e-textbooks in a number of ways. First the Bookstore could do nothing and wait to see what happens, or the Bookstore could be proactive and go out and seek ways to increase its digital competencies. This paper advocates a proactive response.
I. Preface

The research for this paper was completed in June 2001. The information on the Bookstore at the University of Montana was provided by the manager, Bryan Thornton, and reflects sales and margins at that time. Since then, various companies mentioned in this paper have either changed their business model or gone out of business entirely. A few of the companies continue to do well. Versaware and WiZeUp both closed their doors. Varsity completely changed its business model to act as a book wholesaler for high schools and private colleges. netLibrary, the parent company of MetaText is in bankruptcy, but if approved by the bankruptcy court, it will be acquired by OCLC (the Online Computer Library Center) (Milliot and Reed 2002). Other companies continue in one form or another. Questia is still in business as a subscription service geared towards students. Rosetta continues to be an irritant to Random House after Random House failed to get a preliminary injunction against the e-book provider (Zeitchik 2002). The Primis Online division of McGraw-Hill is still alive and well.

Despite the failures, industry observers still believe that e-books have a future. According to Jim Lichtenberg, president of the consulting firm Lightspeed, there have been successful e-book companies. Lichtenberg observes, “the digital delivery of information has been growing quite nicely (Milliot and Reed 2002).” The area where digital delivery is growing the fastest is in the education market. Thomson Learning can attribute increasing percentages of its revenues to electronic publishing. Even with the failures, analysts continue to be optimistic, especially about the academic market, which means that the subject matter of this paper is still relevant. What the failures show is that this area is still in flux, and the various interested parties can still affect the outcome.

On a personal note, some of the information on the general book trade comes from my ten years of experience in the publishing industry.
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I. Introduction

Traditionally, bookstores on medium-sized campuses, such as the University of Montana, had a secure existence. There was little or no competition. Students had no option but to purchase their textbooks from the campus bookstore. While in the past college bookstores such as the Bookstore at the University of Montana have relied on their monopoly status to provide adequate revenue, the future for college bookstores is anything but secure. After successfully weathering the onslaught of the online textbook sellers such as Varsity.com, campus bookstores now face a new threat—electronic textbooks (e-textbooks). One interesting aspect of this threat is that it comes from several areas. Not only are there electronic textbook clearinghouse companies that want to sell textbooks from a variety of publishers to students, but at the same time publishers and authors are trying to sell e-textbooks directly to students. What is the best way for the UM Bookstore to meet this challenge? Should it wait and see what happens to these various electronic participants? No, the Bookstore should take an active role and become a party in the digital textbook revolution. The purpose of this paper is to analyze the way digital texts might affect the Bookstore and to suggest steps the Bookstore can take to meet that challenge.

In the past, although the Bookstore’s environment was stable, there were outside influences. Students blamed the bookstore for the rising costs of textbooks, even though the publishers are the ones that set the price. Publishers blamed the college bookstores for an erosion in their profits linked to the increasing popularity of used books. Now there is a new bookstore antagonist—the purveyors of e-textbooks. These new cyber-intermediaries threaten the bookstores in a different way. Many of them anticipate
bypassing the bookstore to sell textbooks directly to the students. (See figure 1 for an
illustration using Porter’s Five Forces Model to show the changing bookstore
environment). Despite the many new players in the bookstore environment and their
substantial economic strength, the Bookstore at the University of Montana still has the
ability to thrive. The Bookstore needs to reinforce its current strengths in customer
service and rights management. The Bookstore can also start a pilot project on digital
delivery. By taking these small steps, the Bookstore can ensure its position as a
continuing fixture in the campus community.

II. Background

College bookstores play an important role in the campus community by providing
services necessary to students and professors. These bookstores have been part of the
bedrock upon which the campus foundation is laid—they have been an integral part of
the campus community for years. Yet, in the electronic age, college bookstores are
facing an uncertain future. E-textbooks have the potential to erode the position of the
university bookstore. Currently, the demand for e-textbooks is small, but the market is
likely to grow in the coming years as students who are comfortable reading from
computer screens demand more titles in an electronic format. Since most of the current
participants in the e-textbook marketplace want to sell directly to students, there is the
potential for campus bookstores to lose a significant portion of their current business.
However, college bookstores have the potential to thrive in the future by focusing on
their core competency of customer service and reinforcing their competency in rights
management. As cyber learning grows, bookstores can evolve and continue to be a
valuable asset to the campus community.
Figure 1: Porter’s Five Forces:

UM Bookstore before entry of electronic-textbook providers

**Supplier Power:**
- Not very great.
- Product is only distributed through the bookstore.
- No author power

**Substitutes:**
- Few existing substitutes
- Fact Packs—also sold through bookstore
- Library reserve

**Threat of new entrants:**
- Minimal threat.
- Widespread failure of online sellers.
- UM too small to support another textbook store

**Rivalry:**
- Little existing competition
- Online booksellers,
- Local bookstores

**Buyer Power**
- Not powerful
- Can choose used books, but those are also sold through bookstore

UM Bookstore after electronic books enter market

**Supplier Power:**
- Increasing
- Publishers can sell directly to students
- Authors can self-publish

**Threat of new entrants:**
- Ever increasing
- New companies entering market
- Self-publishers

**Rivalry:**
- Increasing
- New market entrants

**Substitutes:**
- Increasing pressure
- Electronic textbooks
- Library books

**Buyer power:**
- Increasing
- Can buy electronic texts

This before and after e-books version of Porter’s Five Forces Model illustrates the increased competition faced by campus bookstores. Whereas before the outside environment was relatively stable, this model shows destabilizing factors coming from all directions.

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In the publishing industry, the main topic of discussion in the year 2000 was the subject of e-books. According to Kirkpatrick (2000) of the New York Times, “Authors, publishers and booksellers see in digital books their own fantasies and nightmares, usually shaped by the antagonisms of decades past.” Electronic book startups appeared (and disappeared) with startling frequency. Stephen King released his book *Riding the Bullet* only in an electronic format. He also pulled the same book from the electronic network before its final installment because of disappointing sales and widespread piracy. New e-book readers using different formats seemed to appear every month. General book publishers also tried a variety of delivery methods, including selling direct to the public, selling through internet intermediaries, and using existing bookstores such as Barnes and Noble. The general book trade jumped into the market, was burned, changed directions, and continued to be relatively optimistic about the future of e-books, although one market analyst calls electronic books “a solution in search of a problem” (Kirkpatrick 2000).

Slower to enter the electronic publishing fray were the educational publishers. Then towards the end of 2000, textbook publishers began to enter the market by partnering with Internet startups such as MetaText and WizeUp, as well as beginning work on internal electronic initiatives. Unlike the general book trade, which included bookstores as one of their distribution modules for electronic books, the educational publishers are currently avoiding selling electronic books through their historic intermediary, the college bookstore. There are several reasons for this. The cyber-intermediaries such as MetaText and Versaware do not want to share their already small margin and need to re-coup their considerable start-up costs as quickly as possible. They
want to avoid diluting profits by making payments to another intermediary. The
publishers would like to avoid the college bookstores largely because of the increasingly
adversarial relationship between publishers and bookstores. This relationship has soured
largely because of the used textbook market. Publishers hate the used book market.
They do not make any money on the sale of a used book (Gainer 2001). Bookstores have
embraced the used book market because it allows them to sell to students at a lower price
and offers the potential of better margins for the bookstore.

Textbook publishers see the electronic marketplace as a way to restore the lost
prominence of the new book market. They hope to control electronic texts so that they
cannot be sold as used books, and they want to sell these books directly to students,
avoiding sharing the profits with the bookstore. What textbook publishers do not seem to
be taking into account is the role of the bookstore within the campus community as a
clearinghouse for information for professors and students. Also it is doubtful if
publishers can match one of the bookstores' key core competencies—customer service—
when dealing with students as a cyber intermediary. Publishers exist to make money
while many campus bookstores have more lofty goals. As a non-profit company the
Bookstore at the University of Montana recognizes that "students are the reason the
University of Montana is here... The bookstore is here to help students succeed.... We
have the friendly, knowledgeable staff to help you every step along the way (Bookstore
2002)." One of the primary reasons universities exist is to educate students, and the
bookstores' mission is to help students succeed. The campus bookstore needs to be able
to adapt to fill new niches while focusing on its core competency of customer service.
Another competency of college bookstores that will be useful in the electronic era is their knowledge of rights management. When putting together reading packets for students, the bookstores obtain reproduction rights for all the readings contained therein. If college bookstores further develop this competency, they can become a small player in the digital marketplace by helping professors put together digital versions of course readers.

Using the Bookstore at the University of Montana as an example, this paper will examine the Bookstore's role as a part of the campus community as well as its current relationship with textbook publishers. Then the possible impacts on the Bookstore of the introduction of e-textbooks will be discussed. In order to put the e-textbooks into an understandable context, there will be a brief look at e-books in general. This will be followed by a discussion of e-textbooks, the current players in the e-text market, and reactions to e-texts by users. Finally, this paper will examine the Bookstore's options, suggesting that by making a few changes in focus, the electronic publishing revolution might actually provide new opportunities for the college bookstore.

III. The Campus Bookstore

A. The text selection process

As the primary outlet for textbook sales on the University of Montana campus, the Bookstore handles all the text adoptions and orders for the Missoula campus. Professors inform the Bookstore of their text selections before the end of the previous semester. The professors learn about texts in their field through a variety of sources: through publications in their discipline, at conventions, through word of mouth via colleagues, or via salespeople representing various textbook publishers. Enrollment estimates are then
Provided to the Bookstore. The Bookstore will inform the professor if the price of the book seems particularly high or if there is a problem with availability. Next, the Bookstore puts that text on the buyback list—meaning it will buy the book back from current University of Montana students at 65% of the cover price. Then the Bookstore gives the order to a wholesaler that buys the needed texts not acquired through the buyback process as either new or used books, depending on what is available. The wholesaler then holds these books until August to be shipped en masse, thus minimizing freight charges for the bookstore. If the textbook being ordered is a new edition, or if there are not enough used books available, then the Bookstore will order new books from the publisher. The supply chain below illustrates the tradition textbook process.

**Figure 2: Traditional Bookstore Supply Chain**

In the traditional bookstore supply chain, the author writes the book, the publisher publishes the book, which is then sold to the bookstore. The publishers' sales reps call on professors to encourage them to adopt the publisher's books. The professor orders the book through the bookstore. The bookstore sells the book to the students. At the end of the semester the students may sell the book back to the bookstore.

Professors never have to deal directly with any publishers. While many of the instructors see sales reps from various textbook publishers, the faculty relies on the
bookstore to have the assigned texts in stock and to sell them to the students with a minimum of problems.

At the beginning of every semester, students buy their books for their courses at the Bookstore. The Bookstore assists the students in finding the designated texts for their classes, and it also processes the students’ payment. Payment can take a variety of forms. Students can pay with check, cash, or credit card, and the bookstore also handles payment for scholarship and financial aid students whose grant or aid package reimburses the Bookstore after the purchase is made. At the University of Montana, approximately 60% of the student body receive some form of financial aid. Nationally, 55% of students receive some form of financial assistance (Mulhauser 2001).

B. Course readers

Another service the bookstore performs is acquiring the rights for course readers—supplemental readings instructors select for their classes. The Bookstore produces between 200-300 readers per year. The use of readers on the University of Montana campus is growing. Readers are increasing in popularity for a variety of reasons, including, the rising cost of textbooks, and the desire to customize the reading material to highlight the subject areas that the professor teaching the course believes are the most important. Instructors have to give the Bookstore advance notice of which articles they will use. The Bookstore then acquires the right to use the articles selected from the copyright holder. It usually takes about two weeks to acquire the rights to use the articles, but it can take as much as six weeks. Royalties are paid by the Bookstore after the sales are made, similar to the standard relationship between an author and publisher. The articles can come from a variety of sources including periodicals, books,
and textbooks. The Bookstore’s goal with the sale of readers is to cover its expenses associated with the development of a course’s reader.

C. The Bookstore’s core competencies

The Bookstore has developed core competencies in customer service and rights management. The customer service competency applies to both students and professors. The Bookstore’s web page specifies that providing customer service to students is one of its primary goals. The rights management competency was acquired through its experience in developing course readers. Both of these competencies are likely to be critical in the increasingly competitive environment the Bookstore will face.

D. The relationship between college bookstores and textbook publishers

Over the last couple of decades the relationship between campus bookstores and publishers has soured. Bookstores are selling an increasing number of used textbooks. Publishers see no revenue from these sales. As a result, publishers try to do everything they can to minimize used book sales by releasing frequent new editions and by bundling electronic material with new texts (Call 2001). Meanwhile, bookstores are trying to sell more used books because students are happier paying the lower price and because bookstores can make a better margin on used text sales.

At the University of Montana, 32% of the textbook sales are used books. The Bookstore acquires used books through two sources: UM students and nationwide wholesalers. Used books are sold to students at 75% of the new-book price. Students who participate in the buyback receive 65% of the new-book price for the books they sell back. Through used-book wholesalers, the bookstore receives a 40% discount on used books. On new texts, publishers give the bookstore a 20% discount. Thus, the
Bookstore's margin on sales is: 10% on sales of books bought back from students, 35% on books purchased from used book wholesalers, and 20% on new books. Overall, campus bookstores get a wider margin on sales of used textbooks. However, the Bookstore at the University of Montana buys as many books as they can from students at UM as a service to the campus community. Used books also make sense for a bookstore because it likes to maintain a good relationship with the student population on campus and students appreciate paying the lower price of used texts (Thornton 2001).

On the other hand, publishers do not like the used book market. They would like to see the used book market disappear. They receive no income on a book the second time it is sold. The only time the publisher gets consistently good sales for a title is in the first year it is released. According to Allan Gainer, a sales representative for Houghton Mifflin, publishers' sales are almost flat after the first year of a book's release. Publishers have been fighting this trend through packaging free items with the purchase of a new textbook and through custom publishing. But even in custom publishing, bookstores have been buying back the texts and then reselling them.

Publishers see e-textbooks as a possible way to eliminate the used book market. Many publishers and other e-text providers are talking about bypassing the college bookstore entirely with e-texts. Publishers would like to maintain their relationship with professors through their sales reps. Professors would select the e-text for use in their classes, and then students would go to the publisher's web site and buy the book using a credit card. Publishers are also considering other sales routes, but the adversarial nature of the relationship between bookstores and publishers has led to the publishers' consideration of the elimination of the college bookstore as an important intermediary.
Other publishers do not see direct sales to students as a panacea to their woes, Bob Christie, CEO of Thomson Learning has his doubts about how well his company will do selling directly to students. He says, “consumer marketing is not something we’ve done well in the past (Brown 2001).”

IV. Possible consequences from the use of e-textbooks at UM

A. Impacts on the Bookstore

Since 42% of the Bookstore’s sales come from the sale of textbooks, losing that component of its business would have a dramatic effect on its bottom line. However, the day when e-textbooks completely replace printed books is a long way in the future. The most likely scenario is that a few professors in a few specialized classes would start using e-texts. Initially, these sales would have a minimal impact on the Bookstore’s profitability. Potential long-term consequences might not be as harmless. Publishers will probably develop e-texts for the big classes, such as Introductory Biology, and that could hurt the Bookstore. Currently, e-textbooks are in their infancy. A viable business model has yet to be developed. Publishers are entering into partnerships with various e-book developers (Brown 2001). The Bookstore should get involved in the e-textbooks’ evolutionary process, while the distribution model for e-textbooks is still in the development stage and possibly influence the direction taken.

B. Impact of electronic books on the campus community

If publishers bypass the Bookstore to sell to students directly, professors will have more responsibilities. Students who have trouble accessing their e-books are likely to contact their professor. Professors will have to make sure if they adopt a book that it is currently available on the web—they will not be able to rely on the Bookstore to get the
texts in stock. And if the Bookstore becomes so weakened financially that it is forced to close, that would leave a big void in the campus community. The Bookstore at UM not only sells books and supplies, but it is also a social anchor in the University Center. It provides a place to meet as well as shop. E-textbooks have the potential to greatly change the way the campus community operates.

V. What is an E-Book?

Before this paper discusses the future of electronic textbooks, some basic groundwork needs to be explored. Issues to discuss are: what is an e-book, how can it be accessed, and who are some of the potential players. Electronic books, or e-books, can encompass a variety of different formats. For the purposes of this paper, an electronic book is a book that is stored digitally. It can be stored on a host’s web site, on a CD-ROM, or in an e-book reader. One key element of an e-book is how it is distributed and accessed. The different media lend themselves to different user expectations. One commentator, Stephen Cole of EBooks.com, an Australian company, has divided e-book reading into two categories: “Interactive reading and immersive reading, also called entertainment or leisure reading” (Costello 2001). Leisure reading, according to Cole, is what a hand held device is best suited for, while interactive reading needs to be viewed using a PC (Costello 2001).

A. E-Book issues

The current issues seem to change almost daily in the emerging field of e-books. Questions revolve around delivery, copyright, format standards, author royalties as well as consumer demand. A perennial favorite is whether or not anybody is going to buy e-books. Another important question is what kind of content should be provided using this
medium. All of these problems have to be resolved before e-books can emerge as a mainstream product.

1. Copyright issues

Some industry watchers believe that copyright will be one of the main issues that decides whether and how e-books are developed (Morena 2001). One recent Supreme Court case, Tasini v. The New York Times discussed the issue of whether freelance writers must give permission before their work is entered into a digital database (Reid 2001). The issue of copyright has been in the news with the recent dispute between Random House, a print publisher, and Rosetta Books, an e-book distributor. Rosetta acquired the digital rights to books that Random House already published in a print edition. Random House argues that the rights belong to it. Rosetta went to the authors to acquire the copyright, bypassing Random House. These rights were for backlist titles of respected authors such as Kurt Vonnegut and William Stryon (Rose 2001). Random House sued Rosetta claiming that its contracts covered the electronic rights, while Rosetta and the authors argued that since the contracts did not specifically enumerate such electronic rights, they were thus excluded. The case has yet to be decided by a jury, but the court did deny Random House’s request for a preliminary injunction (Kirkpatrick 2001).

Copyright is an important issue in the development of e-books and will affect whether large publishers develop the product or whether smaller, specialized companies will come to dominate the market. Backlist sales are very important for a general book publisher such as Random House. It is a rare book that makes a general book publisher
any money during the first year or so of its existence. Even if a book sells very well, there are author advances and royalties for the publisher to pay. There are also production and marketing costs. In its first season, a book gets all the splash and help it’s going to get from its publisher. After that, a book goes on the publisher’s backlist, where it hopefully continues as a strong seller to help the publisher recoup the costs it has already expended. If it does not, a publisher will cut it loose and quit reprinting the title. Books like Vonnegut’s and Stryon’s are a publisher’s gold mine. They keep selling well, year after year, with little or no marketing. Vonnegut’s works will always be in print, and Random House wants exclusive rights to that gold mine in both the print and digital form.

2. Delivery issues

Resolving copyright issues is one of the important building blocks for electronic books, but another question that has yet to be decided is how people will access e-books. Will people read them on a computer that is accessing the book via the World Wide Web? Will they download the information from the web or from a kiosk in a bookstore to read later on a computer? Will people read electronic books on dedicated e-book readers? Or, will they use a personal digital assistant to access the information? Maybe electronic books will be accessed using all of these methods, or maybe there will be some method that has not been invented yet. Then there is the dispute over which software will be used to read e-books. Will it be Adobe’s Glassbook Readers, Microsoft’s MS Reader, Gemstar’s software, or another alternative (Kirkpatrick 2001a)?

As of early 2001, there were four main content formats for the distribution of e-books: Microsoft’s MS Reader, Gemstar’s eBook, Adobe’s Glassbook, and a few assorted providers for the Palm platform, such as Peanut Press’s Reader (Lewis 2001).
All of these systems are incompatible with one another. Unlike the music industry where Sony, Panasonic, and Magnavox's equipment can all play the same compact disks, the publishing industry is uncooperative. This lack of a set standard may hamper the development of e-books for recreational reading. None of these standards has emerged as the dominant standard.

3. Content providers

Despite the problems caused by the lack of a standard format for electronic books, there seems to be no limit to the number of companies that want to provide e-book content. Questia, netLibrary, Rosetta, Peanut Press, and Amazon are just a few of the e-book players. Already at least one e-book company has quit selling directly to the public. MightyWords, of which Barnes & Noble owns half the stock, announced in December 2000, that it would syndicate its texts to other sites rather than sell directly to the public (White 2000). Different entities are focusing on different segments of the book market. netLibrary, as the name suggests, focuses on the library market, while one of its divisions, MetaText, focuses on the textbook market. Questia also focuses on the academic market, but it is marketing directly to students and other academics, not through intermediaries such as libraries. Amazon is focusing on the direct consumer market. All of these companies are trying to find a niche in which they can be successful, but the question remains whether consumers are ready to read books electronically.

4. Market projections for general e-books

Just about everyone in the book business thinks that e-books will be successful, but no one knows when. The co-founder of Xlibris saw a rocky future ahead in October 2000: "no one has figured out a good way to distribute e-books or even what to charge
(Rose 2000b)." The same commentator believes the e-books will eventually succeed, but it will take time. Anderson Consulting projected that the market for e-book devices will reach $28 million by 2005, while the sales for e-books in the same period to be between $1 to $3.4 billion (Romita 2000). Another recent report on e-book sales by Forrester anticipates that digital delivery of custom-printed books, e-textbooks, and general e-books will account for revenues of $7.8 billion by 2005 (Peanutpress 2001). Other commentators on the book business believe that the digitally-delivered book will eventually revolutionize the entire book business, perhaps even putting most retail booksellers out of business (Epstein 2000).

B. The changing nature of publishing

For years publishers have gone about their business in pretty much the same way. They sign promising authors, offer standard royalties to mid-list authors, offer larger royalties to respected authors, and they give outrageous royalties to star authors. Publishers market and promote the front list (that season’s releases), and let the backlist languish with little promotion. Yet the backlist is what makes the publishers money.

Traditionally, publishers have had most of the power in the author/publisher relationship. Bookstores are far more likely to carry a book published by a mainstream publisher. In fact, many bookstores order a few of every title in the frontlist of a large publisher such as Random House. At the other end of the publishing continuum, bookstores are reluctant to carry a book that is self-published by an author. There are very good reasons for this—the content may not be any good, and there is no marketing power behind such titles. Self-publishing has not been very attractive to authors either,
because the cost of printing, binding, and then distributing a book is not small. E-books have the potential to change the entire publishing dynamic.

Distribution of digital books has the potential to equalize the playing field between author and publisher. Digital books do not cost as much as printed books to produce since one of the major costs in publishing, printing, is bypassed. One major way to distribute digital texts will be over the Internet, and large publishers might not have as great of an advantage on the Web. Authors and smaller publishers can market and sell their books to consumers directly, bypassing bookstores that have been reluctant to carry their books, as well as other players in the standard distribution chain. Digital books do not have to be warehoused and shipped which is another big cost for traditional publishing and another barrier to entry for small publishers and authors. Another added benefit for publishers from digital books is a solution to the returns problem. Books are mostly sold on a returnable basis. That means that a publisher does not know what is really sold until months after a book leaves the publisher’s warehouse. Some commentators, such as Jason Epstein, an editor with Random House as well as one of the founders of the New York Review of Books, believe that the digital revolution will fundamentally change publishing and that the changes will be an improvement (Epstein 2000). No one knows for sure what the future of publishing will look like, but it is almost certain that the relationships between the players will be substantially different.

Figure 3: E-Book supply chain
Authors can sell to consumers directly and bypass both the publisher and the bookstore.
1. Changes in the relationship between publisher and author

With the advent of digital books authors have more bargaining power with publishers because they can threaten to go direct to their public through the Internet as was demonstrated by Stephen King. “Author power” has been explained as “the gains in contract-bargaining power an author gets by threatening to use the Internet to go directly to his readers, circumventing the publisher” (Hilts 2000). But is this a very great threat to publishers? Online publishing company MightyWords drastically cut back on its self-publishing program because most of the authors did not do enough to help promote their books (Nawotka 2000). Some authors, like Stephen King, may be able to take their books directly to the public, bypassing the publisher, but other authors may use the Internet to augment the traditional distribution channels.

At the same time, there is evidence that authors do have more power in the digital world. Random House has announced that it will share net revenues with authors from sales of e-books in a 50/50 split (Reid 2000). Traditionally, authors receive a 12% royalty on net sales of printed books. Some authors have successfully sold books digitally. Hard Shell Word Factory is an e-book publisher established by a romance writer who was turned down by the standard book publishers. The company sells about 6,000 electronic books a month for about $5 apiece (Kirkpatrick 2000).

2. The changing relationship between publisher and reader

Traditionally, readers had to acquire a physical copy of books they wished to read from a bookseller. Publishers, especially the large ones, rarely sold directly to customers. Since publishers sell books through bookstores, they have little direct contact with readers. With front list titles, publishers tend to push what they think will sell, not
necessarily what readers want. This relationship could change with the increasing trend toward digitization. Customers will have more power because they will be able to seek out the books they want and get those titles delivered using the method they want. This means that publishers’ attitudes towards customers will have to change. One publisher at a recent conference stated that publishers will no longer be able to push the properties they want to sell, and they will have to communicate with readers and provide better customer service (Hilts 2001).

E-books have the potential to change the publishing landscape. The standard distribution chain of author-publisher-distributor-bookstore-reader may not be the norm for much longer. This opens new possibilities for authors, readers, and small publishers. On the World Wide Web, large publishers may not be as able to dominate the market as they do today. Similar to the general book trade, the academic book market may be altered by the digital age. In fact, some commentators see digital textbooks as one of the big winners, while at the same time seeing no real future for general e-books (Business Wire 2000). While the large publishers will try to sell directly to students, opportunities may also develop for professors to self-publish, and for new, smaller players who are able to put together customized textbooks.

VI. E-Textbooks

An electronic textbook, for the purposes of this paper, is any textbook that is delivered digitally. The delivery method can either be through the World Wide Web, via a download from a server, by CD-ROM, or by using any other method where a print version does not have to be generated.
E-textbooks are shaking up the textbook publishing industry. In the past academic publishers were slow to embrace change. They did not have to change. Publishers complained about the increased used book sales, but business continued to be conducted as usual. Many of the same texts continued to be current through several generations of undergraduates. In 2000 that all changed. Harcourt, Houghton Mifflin, McGraw-Hill, Pearson, and Thomson all moved to take advantage of the opportunities provided by e-books. Many started digitizing texts, creating ways to put classes on line, and cooperating with distance-learning ventures (Shuchman 2000).

These publishers suddenly realized that they had the content needed to participate in the Internet revolution. Many also saw a way to cut into the sales of used books. Thomson Learning, one of the largest textbook providers, is now the majority shareholder at WebCT, a company that puts courses online. In the meantime, e-texts have not really taken off, but publishers are willing to invest and gamble that there will be a market in the future (Shuchman 2000). Eliminating the used book market is one of the main reasons why textbook publishers are pursuing used books. Other reasons include the potential growth of on-line classes for which e-texts seem like a natural fit. Publishers also believe that the next generation of college students that grew up with computers may be more likely to embrace e-textbooks (Call 2001).

While the market for general e-books has been slow to materialize, textbook publishers believe that things will be different in the educational market. These publishers hope that the academic market will be “early adopters” of the new electronic texts. There is some evidence to indicate that the education market is already adapting to new pedagogical opportunities offered through the World Wide Web. A recent study
commissioned by Pearson Education, Hungry Minds, Blackboard, and WebCT indicates that the demand for distance learning on the Internet is experiencing rapid growth (Mayfield 2000).

The rapid development of e-learning is simultaneously encouraging the growth of e-textbooks. Pearson is integrating distance learning and e-textbooks by forming alliances with Blackboard and others to provide integrated learning systems (Mayfield 2000). McGraw-Hill also believes that in the future the education market will move into an online learning environment. Anticipating this change, the company continues to invest in technology that implements that vision (Milliot 2001).

Another reason why publishers are anxious to embrace the e-textbook market is the possibility of eliminating used book sales. It seems that sales of used books caused an antagonistic relationship between campus bookstores and academic publishers. According to Allan Gainer, a sales representative for Houghton-Mifflin, bookstores and publishers have been “bumping heads” over used books for years (Gainer 2001). That sentiment was echoed by reps from Prentice Hall and McGraw-Hill (Call 2001, and Armstrong 2001). According to Dan Tylman, a sales representative for Pearson, the publisher would “love to eliminate the bookstore (Tylman 2001).” Publishers view this used book situation as threatening their livelihoods, and experimenting with e-textbooks is just another way to try to make money.

A. Market projections for e-textbooks

While the market for general e-books has been slow to materialize, some analysts predict that more opportunity exists for the e-textbook market. One firm, Jupiter Research predicts that e-texts will make up about 5.6% of college textbook sales by 2005.
This compares to 2% of consumer-book sales (Brown 2001). In 1999, Thompson Learning earned 3% of its revenues from the sale of electronic resources. Thompson anticipates that in five years, 50% of its sales will be from electronic sources (White 2001). Other observers think that the appeal of e-texts will be very limited, capturing about five percent of the market (Call 2001). Analysts believe that colleges present such a fertile market for electronic texts because most universities have almost universal access to the World Wide Web.

B. The business model

To date, no dominant business model has appeared for the sale and delivery of e-textbooks. This seems to be the part of the equation that contains most of the unknown variables. Publishers are marketing e-texts on their own. Specialized companies such as MetaText and WiZeUp have been formed to deliver e-textbooks from a variety of publishers in their own proprietary format. And some professors are self-publishing and making their own books available through the Web. One publishing executive observed, "Everyone's got partnerships with everyone these days. The winner will be the one with the best content" (Brown 2001). The interesting thing is that no one is sure which model will win.

Figure 4: Publishers’ supply chain for e-textbooks

![Publishers' supply chain for e-textbooks](image)

Publishers can bypass the bookstore to sell directly to students.
The publishers that are establishing their own web sites to distribute electronic books are hoping for a bigger slice of the pie. Right now, the used book market annoys them, but they also see that the possibility of cutting out the bookstores might result in more profits for the publisher (Armstrong 2001). One downside to electronic books for the publishers is the huge expense involved in digitizing content. While most books are typeset digitally these days, the files do not automatically convert to the electronic textbook environment. Some companies such as MetaText use their own proprietary format. This involves even more time and expense to get the text ready for the final consumers. According to Bob Christie, president and chief executive of Thomson Learning, “digitizing content is not only a lot of money, but it’s something that is not going to pay for itself for a long time” (White 2001).

While content is undeniably important, the way the book is delivered is also very important. It has to facilitate learning. It has to be easy to use. Books are extremely portable and easy to use. So if a technology seeks to supplant the textbook, it has to work at least as well as a book and make sense for students and professors as well as for the publishers.

C. The participants

There are innumerable players in the e-textbook market. Some are very small—self-publishers with only one product—while some are very large, such as the major textbook publishers. At least a few of the current participants are strictly web-based. This means that their product cannot be downloaded to a personal computer. These e-texts can only be accessed while the reader is online. Others companies offer downloadable versions of textbooks. This paper will look primarily at three market
participants as representative of what is available in the e-textbook market. The first company is MetaText, a division of netLibrary. MetaText is completely web-based—its product cannot be downloaded and must be read while online. MetaText partners with various publishers to acquire the texts that it offers. The second company is WiZeUp. WiZeUp’s products can be accessed via the Web, but their texts are downloadable. Like MetaText, WizeUp partners with various academic publishers to offer a variety of products online. The third example used will be Primis Online. Primis is a McGraw-Hill company. Primis only sells McGraw-Hill texts via its online service. These three companies are trying to use three different approaches to selling texts on-line.

1. MetaText

MetaText is a division of netLibrary. netLibrary focuses on the library market. MetaText focuses on the e-textbook market. MetaText is entirely web-based. Students cannot download the texts. These books can only be read via a computer that is logged on to the World Wide Web. Students cannot print MetaText books.

How does the MetaText system work? A professor decides to adopt a MetaText book for use in a class. This instructor has probably learned about the text via the publisher’s sales rep. The professor then assigns the book for his or her students. Each individual student goes to the MetaText web site and buys access to the book using a credit card. This is the only way a student can purchase a MetaText book. The student then has access to the book during the semester.
MetaText occupies the position held by the bookstore in the traditional supply chain.

MetaText’s system allows for complete customization of a text. A professor can highlight sections he or she wants the students to pay particular attention to. Professors can monitor their students’ usage of a text. They can get information on how much time is spent by a student on a single passage. Students can also take notes in the margin of their textbooks. If a student decides to drop the class after buying the MetaText book, the student can receive a refund if the request is made within three weeks of the initial purchase (Kemp 2000).

For its primary market MetaText is relying on schools that require their students to own a lap-top computer. Initially, MetaText is focusing on Freshman and Sophomore classes with high enrollment. MetaText hopes to get a large number of customers early to get some early cash flow to offset its high text conversion costs. The company is also focusing on subjects such as communications and psychology. It is hoping that these texts are easier to convert into electronic textbooks because they do not have as many charts and equations. Math and Chemistry, subjects which would seem to be a better fit for e-texts because of their technical nature, are harder subjects to convert (Kemp 2000).
MetaText is partnering with every publisher it can get to sign up. As of December 2000, it had deals with Thomson Learning, Wiley, McGraw-Hill, and Houghton-Mifflin. Using the MetaText system, the publisher sets the net price. MetaText adds a mark-up before selling the book to students. The publisher determines the price a book sells for on MetaText. MetaText is charging the publisher for converting the book to the MetaText proprietary format (Kemp 2000).

Since MetaText sells directly to students, they do not plan to involve campus bookstores. According to Leslie Kemp, the Director of Marketing for MetaText, there just is not enough money to go around—it cannot afford to involve the bookstore, and it does not see any real advantage in including the bookstores into its mix. However, they will continue to use publishers’ sales reps giving them commissions for the sale of MetaText books.

MetaText is also trying to be part of the total online learning system. They have signed a pact with Blackboard to make MetaText’s e-text available through the Blackboard system (Publishers Weekly 2000).

Since MetaText is web-based students can use their MetaText book from different computers using their login code. However, MetaText employs an online quiz system and other mechanisms to prevent students from sharing texts. If professors do not implement these controls, students could share a MetaText e-book, but the students would not be able to use the book at the same time on different computers. This could be a problem for students on the night before an exam.

There are several apparent downsides to the MetaText system. Since the books are only available online, they will lack the portability that students have come to expect
in their textbooks. By disintermediating the bookstore, students will have to deal with MetaText directly. While this may mean the MetaText gets the money, it also means it will get all the headaches of trying to deal with thousands of freshmen trying to buy books. If there are any problems getting the text, students will not complain to the bookstore, they will complain to MetaText. Thus students will try to solve all their problems online (for example, questions like why a student's credit card did not go through and why the text may not be compatible with the student's system). Students may not be satisfied with this sort of "hands-off" customer service. Also MetaText is assuming the every student has access to a credit card. Scholarship students may not. Others may have poor credit histories. While the MetaText system has many advantages such as customizable books, the disadvantages are what may keep the model from working.

2. WiZeUp

Similar to MetaText, WiZeUp is an internet intermediary that has contracts with various publishers to provide on-line electronic books. Unlike MetaText, its e-texts are downloadable and can be printed out. WiZeUp is working to provide enhanced digital versions of textbooks. Students purchase these texts over the Web with a credit card. This is the only method of payment accepted. The entire text can then be downloaded to the student's hard drive. WiZeUp has proprietary software that will keep students from sharing a book. Once downloaded, the book cannot be shared between multiple computers, nor can it be downloaded more than once (Heller 1999).

Both students and professors can customize WiZeUp's books. WiZeUp will order the chapters any way a given professor desires. The digital text version of a book can
even include the professor’s lecture notes. Working with WiZeUp is not an all or nothing proposition—the company is willing to work with a class in which some students choose digital texts and some remain with the traditional printed versions (Heller 1999).

WiZeUp titles also work seamlessly with course management technology systems such as WebCT and blackboard, allowing the professor to link the textbooks to the lecture materials (THE Journal 2001).

As of December 1999, WiZeUp had signed agreements with most of the major publishers. The company’s initial push, similar to MetaText’s, is the large enrollment freshman and sophomore classes (Heller 1999). The company planned to have 130 digital books available by January 2001 (Milliot, 2000).

Figure 6: WiZeUp’s Supply Chain

WiZeUp can sell directly to students, but students can also buy the same book as a traditional text through the bookstore.

WiZeUp’s books are co-marketed by WiZeUp and the publisher. Revenues on these digital texts are shared by the two entities. The books are sold to students at a less-than-new-textbook price. The exact pricing structure varies depending on the publisher.
WiZeUp’s goal is to do the mechanics of converting the printed text to an electronic version, allowing the publisher more time to create content (Heller 1999).

WiZeUp’s texts have been used in the classroom. In classes where students had the option to select a WiZeUp text over a printed textbook, 30-35% chose the electronic edition (Milliot 2000). Students that use the WiZeUp e-texts have several features at their disposal. They have the option of using word searches, highlighting text, and taking class notes alongside the text (Heller 1999). WiZeUp’s books provide the enhanced features students have come to expect out of digital products. At the same time, since students can download and print WiZeUp books, portability still exists.

3. Primis Online

Other players in the e-textbook space are the publishers themselves. While publishers are busy signing deals with companies like MetaText and WiZeUp, meanwhile they have been pursuing the electronic textbook market on their own. One of the early publisher entrants is McGraw-Hill. Since 1990, McGraw-Hill has been offering customized textbooks designed by the professors that actually teach the class. This was an early attempt to minimize the influence of used book sales. It is a short step from customized texts to creating electronic versions. McGraw-Hill’s e-text company is Primis Online, which is located on the Web at http://www.mhhe.com/primis.

Primis Online is working quickly to make content accessible via the Web. As of January 2001, they had 230,000 textbook chapters available (Shorr 2000). By the end of April 2001, Primis had added an additional 300 texts (Dunbar 2001). Primis allows professors to pick and choose chapters from various McGraw-Hill books and readings to create a custom, online book. This can save students money. If a university operates on
a quarter system, a particular class will not use an entire text because the text was
designed for a semester length course. In a quarter system class using a Primis Online
book, students will only have to pay for the chapters they use. Professors can work with
their McGraw-Hill sales representatives to choose which texts are used. After a professor
chooses the desired chapters, the book is assigned a discreet ISBN number. The text can
be available as either an electronic version or a hard copy. The electronic version is
downloadable to the students' computers. Students can also choose to print one copy of
the text. After nine months, the web access to the text vanishes, so if the student failed to
download the book, he or she will no longer have access to that material (Call 2001).
Students have to purchase the e-text using a credit card. The cost of the electronic texts is
35% less than a new book purchased through the bookstore (Dunbar 2001).

Figure 7: Primis Online Supply Chain

McGraw-Hill sells directly to the students through Primis Online, thus bypassing the bookstore and any
other intermediary.

Unlike WiZeUp and MetaText, with Primis Online, professors can offer students
a customized book. WiZeUp and MetaText are simply enhanced versions of already
existing texts. The Primis product is downloadable and can be printed out, which differs
from the MetaText model. However, all three require students to use credit cards, and none have made any plans for how to deal with scholarship students. All three e-text providers plan to use sales reps, but at the same time they all plan to disintermediate the bookstore. One traditional service that the bookstore has always provided for students and professors is dealing with money and problems. If professors have trouble putting together a custom text, they will require more help from the publisher and its sales reps. Students without credit cards are unable to purchase the e-texts. In the rush to avoid the college bookstores and thus make more money for the publishers, the publishers seem to have forgotten the traditional services that the bookstore provides for students. As one sales representative, Larry Armstrong with Prentice Hall noted, “I can’t picture unsavvy freshmen and sophomores downloading books from four or five different publishers’ web sites (2001).” There may still be a role for an intermediary, such as the bookstore, in the cyber marketplace.

D. Reactions to E-texts from users

Various participants in the textbook market think that e-books are the future of pedagogy, but what do the people who have used e-texts think of them? Do students find that they can learn just as well from an electronic textbook? Do professors think that e-texts provide an adequate learning experience? Why should students and professors switch to e-textbooks? Do they add value above and beyond traditional texts? Since electronic books, and cyber-learning in general are such recent developments, very little research has been done on this topic. One interested party, Versaware an e-textbook provider, conducted a survey of college students, and a few studies have been done on cyber-learning in general.
Sanford Berg, a management professor at the University of Florida has already experimented with e-texts. In his Managerial Economics class, students had the option of using the traditional textbook or downloading an electronic version to their laptops (Italie 2000). However, no conclusion on whether or not students liked e-books can be drawn from this usage. Students had the printed book as well as the e-text. It was a web-based course, so students spent a lot of time on the computer. Consequently, students did not use the e-book very much because they were already experiencing computer overload. Also, no records were kept on who used which texts, and how well they did in the class. However, Dr. Berg did feel that the e-text, when used as a supplement provided the students with greater flexibility (Berg 2001).

The Versaware survey, conducted between October 23, 2000 and November 17, 2000 by Marketing Projects, Inc., interviewed 1000 college students at 63 institutions in 22 states plus the District of Columbia. The survey found that 87% thought that e-books might be more interesting than traditional texts, and 62% would be willing to buy an e-book if it was priced the same as a traditional textbook. Various attributes of e-texts were cited as features that would contribute to the decision to buy an e-text. They include: multimedia aspects, the ability to highlight text, the ability to organize research in personally labeled binders, and the ability to do customized searches. Also cited was the convenience of not having to lug around heavy textbooks (Versaware 2001). While the Versaware survey must be slightly discounted because an interested party conducted it, the survey does show that students are interested in the idea of e-texts, especially if they have features above and beyond those contained in traditional texts.
Since e-textbooks are such a recent phenomenon, there has been little opportunity to study their effectiveness compared to standard texts. However, there have been studies on cyber-learning in general, which may serve as an analog for the effectiveness of e-texts. One recent study by Prof. Peter Navarro, Graduate School of Management at the University of California-Irvine, showed that cyber-learners in an introductory Macroeconomics class, did better than their counterparts in the traditional classroom (Navarro 2000).

In Navarro's study, students had the option of attending a normal "lecture" class or using a CD-ROM. Of the 200 students enrolled in the class, 151 chose the traditional format, while 49 opted for the cyber option. The CD contained all the lectures. There was also an electronic testing center, which administered weekly online quizzes, a threaded electronic bulletin board for class discussions, and an Internet chat room. The results of the study showed that the cyber-learners did better than the students in the traditional classroom, regardless of characteristics such as gender, ethnicity, academic background, computer skills, or academic aptitude. While the cyberlearners in general had a higher grade point average than the traditional learners, the results also indicated that while holding the GPA constant between the two groups, the cyberlearners still performed significantly better on the final exam. The cyber-learners also rated the class higher in terms of quality than did their traditional counterparts. This seems to indicate that cyber-learners believe they got more out of the class as compared to the traditional learners (Navarro 2000). Navarro believes that even accounting for self-selection and other variables that would benefit the cyber group, the students using the CD-ROM still did better in the class.
While the effectiveness of e-textbooks needs further examination, based on the Versaware survey, students are willing to try digital textbooks. When electronic learning methods are used, the Navarro study seems to indicate that they are just as effective as traditional methods. These results seem to imply that once the bugs are worked out of the electronic texts and their delivery methods, students will embrace them. Professors may not be so willing. Today's students grew up using computers. Most students are very computer savvy, but some industry insiders believe that it may be the inertia of professors that keeps these texts from being used (Rose 2000a).

There are still problems with e-textbooks. While none of the studies cited dwelled on the obstacles inherent in implementing e-texts, it must be remembered that the publishers who want e-texts to succeed funded most of these studies. The future of e-textbooks is not completely rosy. The three major e-text distributors used as examples in this paper all require credit cards. Students have to have access to a computer. Some of the delivery systems, such as MetaText require that the student be logged on to the web when reading the e-text. Another drawback is a hardware issue; computer screens are not good enough to be comfortable for long-term use. Students would end up with eyestrain. The table below highlights some of the benefits and drawbacks e-books would provide for student users.

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Drawbacks</th>
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<tbody>
<tr>
<td>Low cost</td>
<td>Expensive hardware</td>
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<tr>
<td>Easy access</td>
<td>Limited access to library</td>
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<tr>
<td>Quick updates</td>
<td>Hardware issues</td>
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<td>Environment-friendly</td>
<td>Storage issues</td>
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E-Textbooks: Value added or value lost for student users?

<table>
<thead>
<tr>
<th>Value added for students</th>
<th>Value lost</th>
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</thead>
<tbody>
<tr>
<td>Cost—e-textbooks cost less</td>
<td>Lack of payment options—students must use credit card</td>
</tr>
<tr>
<td>Interactive text with hot web links</td>
<td>Students must read some e-texts on a computer screen</td>
</tr>
<tr>
<td>Online quizzes to check progress</td>
<td>Students have to pay the cost of printing out copies</td>
</tr>
<tr>
<td>Students can customize text by adding professors lecture notes, their own notes, etc…</td>
<td>Lack of direct customer service—only Internet-based customer service</td>
</tr>
<tr>
<td>Availability of computer word searches</td>
<td>Book may cease to exist after a given time period unless printed out</td>
</tr>
<tr>
<td>Currency—e-textbook is completely up to date</td>
<td>Reliance on technology may hinder access</td>
</tr>
<tr>
<td>Textbook can be customized to the course</td>
<td>Students may have to go to several different web sites to get books for all their classes</td>
</tr>
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<td></td>
<td>Adds steps to access e-textbook vs. traditional text</td>
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Based on the resources that publishers are willing to allocate to implementing e-textbooks, they look like a future that is likely to happen. Students think they will like them. Professors will eventually be willing to give them a try. Publishers think they can make money off of them. Many of the potential marketing options avoid using the bookstore as an intermediary. What will the future look like for the UM Bookstore?

VII. Options for the Bookstore at the University of Montana

A. Do nothing

One obvious option for the Bookstore is to do nothing. E-textbooks are not that popular. Many in the industry think that e-texts will only comprise five percent of the market (Call 2001). No one knows for sure where the technology is going to go or who is going to be involved. At the University of Montana, many students do not own their own computers—these students would have a difficult time using an electronic text.
Also, Montana is not at the forefront of technology, so e-textbooks might be slow to catch on in this market. In this complicated, uncertain atmosphere the best bet might be to do nothing.

On the other hand, if e-texts do take off, many of the players want to disintermediate college bookstores. A loss in sales of five to ten percent, while not that large, would be significant. Also, some of that loss might be in the more expensive science or business texts. Besides a loss of sales in the textbook area, the Bookstore would also sell fewer highlighters, post-it notes, pens and other supplies that students purchase when they visit the bookstore to buy books. All of this is conjecture, because the future of e-textbooks is so uncertain. The decision to take a wait-and-see attitude might be the right thing to do, but there are other low-risk options.

B. Provide course readers on CD-ROMs

One option the Bookstore could pursue is to expand its own expertise in providing customized texts. The Bookstore already has competency in rights management. Whenever the Bookstore puts together a course reader, it contacts the rights' holder for the material and gets permission to use it. It is a small step to turn what is now reproduced as Xeroxed pages, and instead issue them as a CD-ROM. Much of the material in a "fac pac" comes from magazines and other periodicals. Many of these are already available in digital form. The Bookstore could put together the pages as a CD and sell the material to the students in that format.

Pursuing this option would help the Bookstore to further develop its expertise in electronic interchange. Doing this as a pilot program, the Bookstore could begin to learn about problems and benefits from selling text material in a digital format. The Bookstore
would also continue to develop its relationship with the professors on campus. It would help the Bookstore to continue its campus role as a valuable intermediary. This might make some professors less willing to use companies that sold electronic texts that bypassed the Bookstore. Also the Bookstore would continue its role as an important information hub on the campus. The Bookstore at UM is known to be innovative, and this would help to enhance that reputation.

C. Set up a pilot program for downloadable texts

Another innovative option for the bookstore is to approach a publisher and set up a pilot program that supplies students with downloaded versions of e-textbooks. The bookstore could provide a server that already had various e-textbooks loaded on it. Students could then bring in a laptop and download on site, or download the book via the Bookstore’s web site. This would help alleviate some of the problems inherent with relying on downloaded texts: students could pay for the book in a way other than a credit card; and if they had a laptop, students could significantly reduce download times. If there were problems with the downloading process then the students would be able to turn to the Bookstore for assistance. Another benefit for students is that if they had more than one class with an assigned e-text, they would be able to get them both from the same place.

Other benefits from this option would be the increased flexibility for professors. Some instructors might want to try out the new e-textbooks but may be reluctant to try them because of some of the obstacles. Since the UM Bookstore would be one of the first in the nation to offer the option of electronic texts, some beneficial publicity could accrue, portraying UM as a trend setting campus.
The Bookstore would have to find a publisher that was willing to work with it. This might be a problem given the adversarial relationship between bookstores and publishers. However, the UM Bookstore might be able to overcome this problem. The sales representatives interviewed for this project all said that the UM Bookstore was different. This bookstore works better with publishers than some of the other campus bookstores. By providing a server for students to download books, the Bookstore would also be acquiring new expertise in the area of digital delivery. As a small-scale project, the Bookstore could learn what some of the pitfalls would be if this option were pursued on a larger scale.

This option has costs. The Bookstore would have to purchase a dedicated server to store the texts on. Employee training on how to manage and use the new system would be required. At the beginning of the new program there would be problems that could be time consuming. The Bookstore might alienate publishers that it was not working with by choosing just one publisher with which to start the pilot program. And, the program could fail completely from either a lack of interest or unanticipated problems.

D. Establish a pilot program with password cards

One sales option that was mentioned by a sales rep was the possibility that bookstores could sell "passport" cards (Gainer 2001). Students would buy a passport card with a number that would allow them to unlock a publisher's electronic book off the publisher's web site. The Bookstore could find a publisher that was willing to set up a trial for this method of selling electronic texts. Using this method, the Bookstore could continue to be involved with the process, and the publishers would avoid having to deal
with the headache of processing payment. One downside with this is that students would still need a fast connection through which they downloaded the book. This would not work for students who connect at home with a modem. Downloading a book via a modem connection would take a long time. Also, if the download did not work, it is not clear to whom the student would go for service—the publisher or the bookstore. The Bookstore would still have to find a publisher willing to try out the program. On the positive side, the Bookstore would not have to provide a secure server for the download, since the publisher would provide that.

E. Sponsor a study with a willing professor

One final option the Bookstore could explore is to enlist the aid of a willing professor in a subject area for which there were viable e-textbook options. This instructor could give students the option of using either a traditional text or an e-text. How the students did could then be monitored. The professor could get to see how well students performed using a customized text from a service such as Primis. Also the professor might get publishable results from the study.

Perhaps as a condition for doing the study, the publisher might allow the Bookstore to handle the payments. It would make for a more reliable study since scholarship students and others without credit cards would not be selected out at the start of the study. This study could help the bookstore to begin to gauge the eventual interest in e-texts.

VIII. Conclusion

The future of electronic texts is uncertain. The Bookstore has prospered while other entrants into the textbook market floundered. The online textbook services such as
Varsity.com are no longer around. This may be what happens to e-textbooks. But can the Bookstore afford to wait and see? Just as the Bookstore developed its own web site to compete with the convenience of the online textbook providers, the best option to compete with e-textbooks is to try something now. The Bookstore would gain new competencies and knowledge that it could use to its advantage. (See SWOT analysis that follows for some of the opportunities the Bookstore could pursue as part of its digital initiative.) No one knows what model will win in the deployment of e-texts. It might be the clearinghouse model, such as is provided by WiZeUp or MetaText, or it might be the single publisher/provider model, or it could be something completely different. By trying one or several of the options suggested by this paper, the Bookstore could become more competitive in the digital marketplace.
SWOT Analysis of the UM Bookstore

Strengths
- Knowledge of rights management
- Excellent customer service
- Reputation in the campus community

Weaknesses
- No e-book expertise
- No employees with necessary expertise

Opportunities
- Possibility of expanding into digital rights management
- Expanding knowledge base
- Increasing visibility on campus
- Reputation as a trend setting bookstore

Threats
- New electronic publishing clearinghouses, e.g. WiZeUp, MetaText
- Small self-publishers
- Large publishers selling direct to students
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