

**KEY TRENDS IN THE COLLEGE STORE ENVIRONMENT:  
COURSE MATERIALS AND DIGITAL CONTENT  
Summer 2007**

**Prepared by the NACS Environmental Scan Think Tank**

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In May 2007 the NACS Environmental Scan Think Tank (ESTT) participants met to identify trends and developments in the course materials area, however, discussion evolved to include a review of ESTT reports over the past year. This ESTT meeting generated active discussion about where the industry is headed based on that retrospective examination and in the context of some more recent developments in course materials. As with prior reports, we hope to provide information and promote discussion among NACS members.

This report begins with a brief review of trends and issues uncovered in recent reports. The focus then turns to the course materials and digital content areas, where key trends are discussed, along with issues and questions for the industry. The report ends with top opportunities for stores in the near future.

## **TRENDS AND TOPICS 2006-2007**

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In the past year the NACS ESTT identified more than a dozen trends affecting, or with great potential to affect, the college store market. At the time, these trends covered developments in course materials, marketing, store operations, public policy and advocacy, and technology. In the process of identifying those trends, the ESTT participants also identified a range of topics classified as strategies, questions, and issues for store members to consider.

As predicted, some of these trends and topics have continued to increase in importance in the past year. The recent increase in legislation at both state and federal levels is a visible and important example. Other developments, like some of those in the course materials area, have been more subtle, but no less important to the future of college stores. Reviewing topics from the past year, here are three of our top items of concern looking toward the future:

**Growing public policy and advocacy concerns:**

With more than 60 state bills, stores must become more involved in grassroots efforts to affect legislation. Much of this legislation is focused on pricing issues as they relate to the cost of education. Outcomes, recommendations, and legislative proposals vary, but some trends include policy decisions weighted towards rental programs and open

course adoption lists. Stores have had many opportunities to contribute to these developments over the past year and NACS will be hiring a new staff member as a public policy analyst and grassroots coordinator to assist the director of government relations with the increased volume of legislative activity across the country. Store involvement to help inform legislation is critical to all store members, whether institutional, private, or leased.

**Growing digital initiatives and interest:**

The interest in digital continues to grow. The number of stores exploring digital materials is increasing. By our estimation, at least a fifth of college stores are now selling, experimenting, or preparing to launch digital course materials in some way. Experimentation among content providers is also on the rise, and with the emergence of industry standards and other upcoming initiatives, there are signs that a dominant approach to digital delivery may be coming.

Institutions are also investigating different approaches to digital content delivery with more than 100 state systems and private institutions in more than 20 states now investigating new modes for delivering course materials. Two initiatives of particular interest are the California State University Digital Marketplace project and the Ohio State University-based OhioLink project. Many of these initiatives are coming out of the academic technology divisions of institutions and may not include input from campus stores.

The growth of digital is becoming more difficult to ignore. Nearly a third of dental schools in North America have gone completely digital in course materials. Other institutions have shifted to digital materials; some are trying digital materials on an individual course level. Building on technology trends in this area, the unveiling of a prototype color e-reader later this summer (with commercial versions due out by mid-2008) could boost sales of e-books and e-readers among iPod-savvy students.

College stores that choose to wait even as little as five years to develop new skills and experience with digital content or to engage in campus discussions about digital course materials may find that it is too late to participate at that point.

**New skills and strategies:**

A common theme across ESTT reports is the need for stores to investigate new skills and strategies for ensuring a successful future. In the February 2007 report, the ESTT identified nearly 20 strategies stores could use to develop better marketing programs within their organizations. Marketing and connectedness to the college campus are key values stores provide. If stores continue to maintain and develop their marketing sophistication and knowledge of customers, they will increase the likelihood of having publishers and other vendors wanting to use stores as a channel for products and services aimed at students.

Skills were also discussed in the context of changes in the qualified labor pool from which stores draw. Stores must be thinking about professional development and succession planning—to attract future employees and ensure the store's survivability even after top management retires or moves on to other opportunities. As products shift away from traditional print textbooks to new products and services, and as competition continues to increase, college store employees must expand their skill sets to prepare for a new business reality.

## **IDENTIFIED TRENDS FOR SUMMER 2007**

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The ESTT identified several trends in the course materials area, several of which appeared in prior reports.

### **Legislation**

Legislative activity is growing fast, and appears to have more than doubled from a year ago at this time. There is more pressure for institutions and faculty to look at costs of course materials and the institutional and faculty practices that raise course material costs. The increased political pressure also fuels more aggressive and diverse mechanisms among publishers for delivering content at lower cost.

Stores have an opportunity here to participate in grassroots efforts to stem legislation unfavorable to the industry in different states. Stores should also leverage their position and experience to work more closely with institutions, faculty, and publishers to find new ways to reduce course material costs for students. While the costs of course materials remain high in the minds of students and public policy makers, stores should expect to face continued and potentially increased political intervention and attention.

### **Standards development**

Progress continues to be made in the area of standards development. One of the more interesting standards is the Common Cartridge standard promoted by the IMS Global Learning Consortium, and agreed to by most of the major higher education and K-12 publishers. Simplified, the Common Cartridge standard allows for content to be moved more freely into and out of the major course management systems. This standard is of interest in part because of its robust nature—facilitating portability of not just simple content, but also more advanced content, such as digital learning objects embedded in initiatives like MERLOT and the Digital Marketplace.

The Common Cartridge standard is good news for institutions that want more content portability and lower ownership and switching costs among course management systems. The standards also help address multi-format issues among publishers and some supplier-user problems. The question yet to be resolved is where the content transactions will occur. The new standard has an authorization component, but right now that piece is open game. While it is an opportunity for platform vendors, it may also be an opportunity for college stores to enter emerging business models as the third party that handles content transactions on behalf of students, institutions, and content providers. IMS expects the new standard to begin impacting courseware in use on campus starting this summer, with more working implementations in place before the end of 2007.

### **Growth in social networking technology**

The use of social networking technology—such as Facebook, MySpace, Flickr, YouTube and others—continues to spread and mature. The New Media Consortium and the EDUCAUSE Learning Initiative, in their annual Horizon Report, noted changes in higher education, globalization, and differences in how students and faculty perceive technology among critical trends to watch. The report estimated that user-created content and social networking technologies would reach broad-scale adoption by students and institutions within the year. Many of the features of these tools, such as shared notes and rating systems, are finding their way into some of the new reader and digital textbook technologies entering the market. Social networking technologies support student interest in using technology to

communicate and collaborate and present an opportunity for stores to connect more closely with students.

### **Natives versus immigrants and the closing gap**

Despite conventional wisdom, recent empirical evidence suggests that current students may not be the digital natives we think they are. According to the Project Tomorrow initiative, fewer than 15% of current college students had computer connectivity in the classroom back in second grade. Data from the EDUCAUSE Center for Applied Research supports these findings, suggesting that while current students may have higher comfort levels with technology for communication and collaboration, they do not know how to use the technology to be productive in learning or work contexts.

However, the gap is starting to close between those comfortable with technology and those less so. A recent study through Southwest Baptist University suggests that nearly 20% of students prefer electronic textbooks to print textbooks. This suggests that student acceptance is beginning to enter the early majority portion of the market. While some factors (price, technology, low faculty acceptance) will continue to hinder actual purchases, that trend is likely to begin to shift as newer students get closer to being true “digital natives” and the barriers are overcome by new developments.

### **More “cooperative” experiments with and by publishers with academic institutions**

There are a growing number of new initiatives in the digital content space involving partnerships or experiments where publishers, institutions, and other vendors are cooperating to develop new models for course material delivery. Some of these incorporate the college store, while others could bypass the traditional channel.

One growing sub-trend in this area is the investigation of licensing-based models. This trend appears to be fueled in part by institutional experiences with the Recording Industry Association of America (RIAA) over music and video piracy, and in part by pressures to reduce the overall cost of education. Looking to be proactive, academic computing departments are funding projects where content is delivered electronically to institutions by publishers through a licensing fee-type model, similar to how other digital content is acquired through the campus library. Students will then be able to access the content “for free” on campus.

In other initiatives, the ESTT sees more interactive content such as simulations, games, and online assessments being developed. These interactive or “born digital” tools are often more expensive for publishers to create, however, some institutions and faculty are investing resources toward developing a larger supply of interactive content. These experiments are important as they further signal the development of new business models and a future in which digital course materials will play a more significant role on the college campus. When possible, college stores should learn what initiatives are underway on their campus and determine if there are opportunities to provide new products or services.

### **Increasing interest in rental programs**

Finally, spurred by legislative pressure and a desire to lower the cost of education, there is growing emphasis on rental programs across the country. As the industry is aware, there are pros and cons with implementing textbook rental programs, and such programs can operate more or less effectively using different business models. Stores should be aware of current legislative activity in their state and become better versed in the various approaches to textbook rental programs.

## ISSUES AND QUESTIONS

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Stemming from the identified trends and related discussion, the ESTT identified several questions or issue areas that the college store industry must consider and address:

- Do publishers see the value of college stores when it comes to digital content sales? What can be done to improve college store positioning and value proposition to publishers and other content providers?
- How are course management systems (CMS) or learning management systems (LMS), such as Blackboard, positioning themselves in regard to content transaction and delivery on campus? Will such tools become the de facto standard for digital course materials in the future? If so, what role will college stores play?
- What is the next “killer app” for digital content delivery? What business models, products, and services might stores provide to capitalize on that technology when it arrives—quite possibly within the next three to five years?
- What message should college stores send to their campus about the value of the store and its expertise?

## OPPORTUNITIES FOR STORES

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While the trends and other developments may appear to bring ominous tidings to the college store industry, there are still many opportunities for stores that embrace an entrepreneurial mindset. The ESTT identified some top opportunities and priorities for stores in the near future.

### Positioning and competencies

First and foremost, stores must focus on two things when it comes to digital course materials: positioning and competencies. Stores that wait five years to begin preparing for change will find that it is too late to catch up. The college store industry and individual stores must clearly articulate a vision of what college stores will look like in five years in the context of digital course materials products and services. That vision statement must encompass a clear and compelling value proposition that will demonstrate to publishers and other content providers that college stores will be ready and willing to support the sales channel for digital course materials.

Stores must move beyond a vision of being “textbook salespeople” to “campus retailers” in the broadest sense. The positioning vision should also consider other campus constituents, so that the store’s value on campus is clear and well understood. Positioning stores and the industry to realize that vision will likely result in vastly different service and product business models than stores currently use today.

That means stores must also identify specific competencies—business practices, skill sets, and job roles—that must be developed if the vision will be realized. From identification of those competencies will be educational and professional development plans, succession planning activities, and recruiting guidelines for current and future employees. Rethinking positioning and competencies represents one of the most critical tasks for the industry in the near future.

### Print-on-demand

Many opportunities exist for stores that engage in print-on-demand (POD) services. As previously noted, these opportunities include both revenue generating and cost reduction opportunities. Stores could (and should) partner with other campus units, such as the library, IT unit, or the university press (where present) to develop a robust program that serves students and reduces institutional costs.

It may also be possible to make such programs work through regional consortia, mitigating the high entry costs for individual stores or institutions by cost sharing among multiple organizations. Arrangements could be made with publishers to deliver content electronically and then print locally, with stores reporting back on number of copies and royalty payments. However, this will require new inventory management skills and potentially other new skill sets for college stores. As most digital content is currently digitized, and is likely to remain so for several years, POD services create multiple opportunities for new business models.

### **Seeking new allies**

At the Forum on New Modes of Information Delivery in March, college stores, libraries and IT units came together to discuss the future of digital content on campus. A number of recommendations came out of that forum for increased communication and collaboration between these three campus areas. Many participants noted better understanding and a new appreciation of other functional areas.

For stores, this may translate into new business opportunities that reduce other institutional costs while providing better overall service to students and faculty. Stores should continue to pursue relationships with library and technology staff on campus as the shared expertise will be a significant asset for stores in the future. As campuses begin to look toward unified knowledge portals, some services from each of the areas may become comingled by design as much as choice. Establishing relationships early will ensure college stores have an equal voice in future decisions that affect them, while also better integrating the store and articulating its value to the campus environment.

## **CONCLUDING REMARKS**

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Alan Kay, legendary inventor and visionary, once quipped that, “The best way to predict the future is to invent it.” Certainly this comment is a fitting summary for the current state of innovation and emerging technologies in the course materials environment. If they act now, college stores individually and together as an industry have multiple opportunities to determine the future and avoid disintermediation. This can be done through positioning and competencies, which will result in new business models, products, and services created and implemented through new and renewed partnerships with other entities.

The pace of change in the course materials industry is beginning to quicken. The emergence of key standards, the increase in cooperative experiments, and growing legislative pressure for change are important signals that the industry is on the edge of more significant evolution. Store managers at all levels have a choice to participate in defining their future or have it defined for them. Managers looking towards retirement have a moral obligation to their organizations and their employees to position the store for a successful future, which means succession planning in addition to other activities.

The only thing we know for certain is that change is here, it is coming fast, and it will have a lasting impact on the shape of the industry in the future. The specific details are yet to be written for those stores and store managers that choose to invent them.