



MERCATURA: LEARNING CONTENT RETAILING

The long-standing mission of the college store to ensure availability of adopted course materials for purchase has evolved to include provision of other products and services that support and facilitate student learning and enhance the campus experience for all. Current and emerging trends in higher education, learning content, and retailing suggest another evolution is due for college stores that want to remain relevant to their campuses and the students they serve. Important choices must be made about products, services, strategic partners, and the role of the college store in the campus enterprise.



Key Points

1. The missions of college stores have evolved and vary in their particulars with the institutions they serve. Certainly they serve as an indispensable resource to faculty and students in assuring adopted learning content is available. Additionally, they advise on media options, offer a range of acquisition alternatives, and accommodate students' varying financial needs.
2. Since the turn of the 20th century, at least four major disruptions have affected the retail selling of learning content: Bookstore chains, e-commerce and the online bookstore, e-books, and an evolving disruptor forming at the intersection of emerging e-market hubs, mobile payments, and the so-called sharing economy.
3. In no other element of the ecosystem have the competitive dynamics been changed so profoundly due to digital disruption. Continued maturation of digital learning content, mobile commerce, and the emergence of digital learning services is likely to keep them in a heightened state of flux for the foreseeable future. Three key themes dominate the digital disruption:
 - a. empowerment of the consumer;
 - b. advantages that accrue to booksellers who can leverage both purchasing power and operational economies of scale; and
 - c. growing capacity of online booksellers to leverage customer data and new online services into customer experiences and relationships.
4. Retail operators increasingly understand that they must configure their systems and operations to shift from being a transaction broker to a partner.
5. Unless Amazon chooses to become a full-service contract brick-and-mortar retail operator, it will compete as it always has—on price and convenience. Independent college stores in the context of this escalating competitive rivalry are unlikely to be able to compete on price, but instead must continue to leverage their institutional connection.

Mapping the Learning Content Ecosystem

SCORECARD

MERCATURA:
Learning Content Retailing



Supplier Power

- Declining, unless:
 - Supplier sells to the institution
 - Learning content is imbedded in courseware



Buyer Power (Includes Faculty Recommenders)

- Increasing: more channels, more options, more marketplaces, etc.
- Course materials fee + institutional content
- Licensing could be game changer
- Increasing rivalry and concentration of “buying” power will allow “giants” to squeeze publisher profit margins



Rivalry Level*: 4



New Entrants

- Amazon Campus
- Pay for snippets
- Barnes & Noble + Flashnotes?
- Uber/Lyft for textbooks?
- 3rd party content curation hubs
- Edu services hubs/integrators



Substitutes

- OER
- Library e-reserves
- Informal content (e.g., YouTube and Khan Academy)
- Content exchanges
- Sharing economy (think Uber for textbooks)
- Mobile payments may be game changer



*Rivalry is an indication of competition in the segment from 1-lowest to 5-highest; both among current players and between them and new entrants.



Content Retailing: History, Mission, and Value Proposition

Bookselling is an ancient profession. While popes, kings, and others in much of the West endeavored to control the flow of the written word, these efforts failed and the notion of a free press became a core element of a democratic government. In America particularly, our beliefs of a free press bear the imprint of bookseller, newspaperman, and pamphleteer Ben Franklin. Even today, the notion that “information wants to be free” remains the battle cry and premise of the open information movement.

Until the 19th century, publishing, wholesaling, and retailing books, periodicals, pamphlets, and other content were often parts of the same craft. By the early 19th century the business simply became too complex. The distinction between publishers and booksellers became fundamental. Publishers focused on content editing, design, manufacturing, and promotion; while booksellers focused on either the wholesale or retail trade in published goods.

Since the advent of a free trade in books, retail bookselling has been highly fragmented—a specialized industry presided over by individuals who combined knowledge of books and the wholesale book trade, with a sensitivity to the reading tastes and preferences of their local customers. College bookstores are an outgrowth of that sensitivity to the needs and preferences of a specialized clientele. In 1825, Kenyon University’s founder and first president, Philander Chase, wrote, “School books cannot be had in our poor country ‘bookstores.’” He asked: “Is every young man to send hither and thither for a book and perhaps be obliged after all to send to the East before he can be accommodated? Surely not. We must have a bookstore belonging to the Institution.”⁸¹ The bookstore Chase founded is the nation’s longest continuously operating college bookstore, and the third-oldest bookstore of any kind in America. Providing learning content has for nearly 200 years been fundamental to the mission of the college store and to the life of the college, university, and students it supports. President R. Albert Mohler of the Southern Baptist Theological Seminary went so far as to argue: “If the college you visit has a bookstore filled with t-shirts rather than books, find another college.”

The missions of college stores have evolved and vary in their particulars along with the colleges and universities they serve. This mission is, in part, to be an indispensable resource to both faculty and students in assuring that adopted learning content is available where and when it is needed. As the number of learning content options has expanded, so has the college store mission—to include providing advice on media options, providing a range of acquisition alternatives, and accommodating students’ varying financial needs. While the core value proposition of the college store has always been its integration with the course planning process and on-campus geography, increasingly value is being derived from the integration of the college store’s processes and systems with other faculty and student-serving enterprise systems.



NACS Resource: “The College Store Value Promise” and “...Store Strategies,” available in [The Hub](#) (NACS member login required) or upon request to education@nacs.org

Disruption of Learning Content Retailing

The selling of learning content—particularly in college stores—was a stable activity and industry segment for 150 years. College stores became a standard feature of U.S. colleges and universities, and grew in number along with the growing number of U.S. institutions. These stores grew in size as U.S. postsecondary enrollments soared. Moreover, most college stores also expanded the scope of their retail operations responding to a broad range of student consumer needs ranging from branded clothing to sundries to slide rules, calculators, and computers.

Since the turn of the 20th century, at least four major disruptions have affected the retail selling of learning content:

- **Bookstore chains.** Rooted in the college store with NYU’s Leonard Riggio’s opening of the Student Book Exchange (SBX). Riggio went on to acquire a failing Manhattan bookstore called Barnes & Noble (B&N). Barnes & Noble, in addition to operating a university learning content exchange, was the first bookstore to advertise on television and the first to sell books below the publisher’s recommended

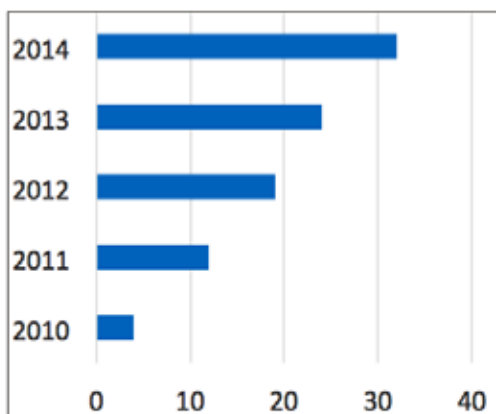
⁸¹ Kenyon College, “Welcome to the Kenyon College Bookstore.” Available at: <http://www.shopkenyon.com/>.



list price. Today, the B&N chain operates approximately 700 brick-and-mortar retail bookstores in 50 states and 636 college bookstores across the U.S. Other bookstore chains introduced the “super store” concept and were effective using point-of-sale (POS) data capture to manage the supply chain and to gain insight into customer preferences.

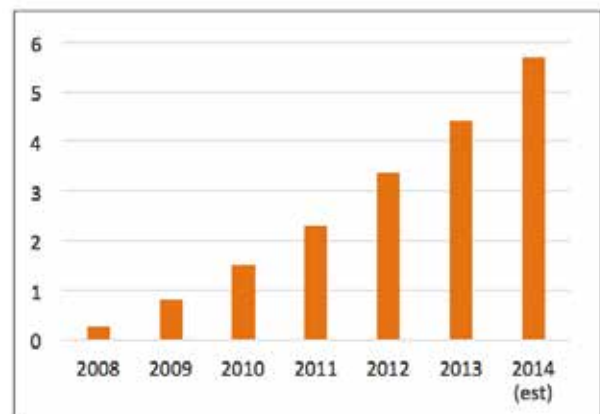
- **E-commerce and the online bookstore.** On Aug. 11, 1994, the *New York Times* covered the story of a man who sat down in front of his computer, entered his biographical and credit card information, and purchased Sting’s “Ten Summoner’s Tales.” It was the first commercial transaction to take place on the Internet. By 1995, Amazon went live with Jeff Bezos’ \$300,000 bootstrap investment. By mid-1996, that company already received more than \$6 million in venture capital. And the face of retail was transformed. In 2011, bookselling giant Borders filed for protection under Chapter 11 and by 2013, liquidation of that firm began.
- **E-books.** The concept of the e-book and e-readers can be traced to World War II with Vannevar Bush, who conceived the “memex” as a way for individuals to store and read increasing amounts of available information. Project Gutenberg started digitizing texts in 1971. E-book reading remained a somewhat obscure academic pursuit until real progress was made in readers that could be used widely. Wide use depended on both accessible pricing and usability. Reading devices stumbled until 2004 with the introduction of electronic ink in Sony’s Librie. Soon thereafter, the Amazon Kindle added traction to the e-book market. In education, Canada’s Blythe Academy became the first school to provide its students with e-readers fully loaded with their required textbooks.⁸² As of January 2014, more than one-third of all U.S. adults 18 years old or older owned an e-reader and U.S. e-book revenues exceeded \$5.5 billion.

Figure 11 – Percentage of U.S. Adults
18 Years Old or Older Who Own an E-reader



Source: Pew Research Center

Figure 12 – U.S. Sales of E-books (in USD Billions)



Source: PricewaterhouseCoopers

A fourth major disruption is emergent; this one forming at the intersection of emerging e-market hubs, mobile payments, and the so-called sharing economy.

The effect of these disruptions and their associated innovations on bookselling and all elements of the learning content ecosystem has been dramatic. Since 1990, the number of independent bookstores in the U.S. has dropped by more than one-half to fewer than 2,000 stores. By 1994, Barnes & Noble and the Borders Group had captured a quarter of the \$19 billion worth of books bought by Americans. Independent stores’ collective share of that market had declined to just over one-fifth.⁸³ By 2014, Amazon book sales alone totaled an

⁸² Michael Kozlowski, “A Brief History of eBooks,” May 17, 2010. Available at: <http://goodereader.com/blog/electronic-readers/a-brief-history-of-ebooks>.

⁸³ Steve Wasserman, “The Amazon Effect,” *The Nation*, May 29, 2012. Available at: <http://www.thenation.com/article/168125/amazon-effect>.



estimated \$5.25 billion.⁸⁴ E-books now make up nearly 30% of all book sales, with Amazon accounting for 65% of all e-book sales.⁸⁵ Many college and university stores are now operated under contract with national firms like Barnes & Noble and Follett. One independent publisher astutely observed that “in the era of the Kindle, a book costs the same price as a sandwich...Amazon has successfully foster the idea that a book is a thing of minimal value...”⁸⁶ For higher education, academic publishers, and college stores, the perceived devaluation of the book exacerbates the real concern regarding rising textbook costs.

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Competitive Dynamics

In no other element of the learning content ecosystem has digital disruption so profoundly changed the competitive dynamics as in the content retailing arena. Even more, the continued maturation of digital learning content, mobile commerce, and the emergence of digital learning services is likely to keep these competitive dynamics in a heightened state of flux for the foreseeable future. Three key themes dominate the digital disruption of content retailing:

1. **the empowerment of the consumer** with a proliferation of choices for media, modes of delivery, channels, license/ownership arrangements, and price points;
2. **the extraordinary advantages that accrue to booksellers who can leverage both purchasing power and operational economies of scale** (inventory, shipping, handling, data processing); and
3. **the growing capacity of online booksellers to leverage customer data and new online services** into customer experiences and relationships that equal or exceed the best brick-and-mortar store experiences and relationships.

Key Trends

The key trends in learning content retailing include:

- **Digital Future**—Faculty members surveyed by NACS expect students to favor digital learning content in five years or less. Products like Pearson MyLabs, Cengage’s Aplia, and WileyPLUS will Connect are already key sellers and popular with students. Several interviewees agreed with Ashland University’s Director of Information Technology, Bob Matney, who argued that “students will drive the move toward more electronic delivery; they will demand it. If the faculty is not using the whole text, students will want to pay for only what they use for the class.” Publishers expect course materials to deliver a commercial grade user experience; enterprise-grade software; academia-grade delivery models; and imbedded pedagogy and analytics to inform student, faculty, and institutional decisions and actions. Printed learning content will be unable to keep pace in the intermediate term. Faculty resistance, usability, digital divide, accessibility, technical support, academic serviceability, and a host of other issues will need to be overcome. Higher education will be motivated to overcome these issues as declining print sales create dis-economies of scale, increasing the cost of traditional textbooks at an even faster rate.
- **Flat or Declining Sales**—Faculty are assigning less reading and students are reading significantly less than their counterparts 50 years ago. Students are savvy Internet shoppers and aggressive consumers. Textbooks are not an element of an institution’s published sticker price and are viewed by students as a discretionary or unbudgeted expense. Students have been and will continue to craft their own solutions to the course materials affordability problem. Value shopping student behaviors, increasing faculty awareness of prices and OER, growth in the number and quality of OER titles, the arrival of Amazon in the college store market, and other factors will dampen demand for new textbooks.

⁸⁴ Jeff Bercovici, “Amazon vs. Book Publishers, by the Numbers,” *Forbes*, February 10, 2014. Available at: <http://www.forbes.com/sites/jeffbercovici/2014/02/10/amazon-vs-book-publishers-by-the-numbers/>.

⁸⁵ George Packer, “Cheap Words: Amazon is Good for Customers. But is it Good for Books?” in *The New Yorker*, February 17, 2014. Available at: <http://www.newyorker.com/magazine/2014/02/17/cheap-words>.

⁸⁶ Ibid. quoting Mr. Dennis Johnson.



- **OER Rising**—While the open education resources movement has itself moved in fits and starts, its counterparts—open source and open content—in software and academic serials are making dramatic headway. Leaders of the OER movement now understand that they need to focus on faculty awareness, a robust and high quality product portfolio, sustainable business models, student success, and academic policy to gain momentum. They are working increasingly with influential philanthropies and private equity firms. And while they remain focused on filling out and promoting a product portfolio with open source textbooks, they are aware—as one leader states—that “in the next five years, courseware—the blending of content, technology delivery platform, and deliberate, effective instructional design—will be pervasively adopted.”
- **Publisher Shift**—One publisher consulted for this study confided: “The textbook is dead; they just don’t know it yet.” While this was colorful hyperbole and sweeping changes in practice likely will lag changes in technical capability, the core point seems correct. Lecture capture, MOOCs, and other changes in teaching and learning practice are showing that many students are happy to “flip” lectures, speed them up, view them at 2:00 a.m., and otherwise “rip, mix, and burn” in ways that suit their needs. Future college students will expect learning materials to link to videos, to initialize simulations, to contain actionable datasets, or even project holograms. The bookstore’s historical value of assuring the on-time delivery of physical media and the operation of a book exchange carry little weight in this changing landscape. As personalization of learning content gains momentum, publishers will have access to detailed student information making it possible to trump both brick-and-mortar stores and Amazon in tailoring an exceptional and successful experience and a suite of services on behalf of students.

Students today consume learning content on smartphones, e-readers, open campus workstations, television screens, laptops, and other devices. In time, learning content will simply follow students from room to room and building to building.

- **Horizontal Integration**—As textbooks go digital and the traditional bookseller sources of value are reduced, booksellers, publishers, and others will attempt to restore, replace, or leapfrog lost value by bundling learning services with learning content services. In the past six months, book rental giant Chegg allied with Ingram to shift out of the business of handling logistics of print textbooks and instead become a digital student service hub where digital learning content is only one service offered along with tutoring and others.⁸⁷ Valore recently acquired Boundless, an online/mobile course materials company. The combined company, which expects 2015 revenues in excess of \$100 million, offers an online student loan comparison site, a rewards program for helping to pay down student loans, and ValoreBooks, which aims to offer more affordable textbook rentals along with savings on new and used textbooks.⁸⁸ The fuel for much of this integration is the hot EdTech start-up market that features companies like Course Hero (an online source of study guides, class notes, past exams, flash cards, and tutoring services) which offer clear synergies with learning content sales or rentals.
- **Mobile Future**—The future of learning content is not only digital, it is mobile. Untethered digital technologies mean that our learning platforms, course materials, and student services (Professor Siri?) are always with us. There is increasing evidence that screen reading is predisposing us to a pattern of short interactions with content and away from deep and sustained reading. Students today consume learning content on smartphones, e-readers, open campus workstations, television screens, laptops, and other devices. In time, learning content will simply follow students from room to room and building to building as display screens become ubiquitous, as learning applications and data move to the cloud, and as the Internet of Things (IoT) imbeds technology that helps buildings ascertain a

⁸⁷ Sarah Buhr, “Chegg Strikes Distribution Partnership with Ingram Books,” in *Tech Crunch*, August 4, 2014. Available at: <http://techcrunch.com/2014/08/04/ingram-books-strikes-distribution-partnership-with-chegg/>.

⁸⁸ Kyle Alspach, “Boundless Acquired by Valore in Boston Ed Tech Consolidation,” in *BostInno*, April 6, 2015. Available at: <http://bostinno.streetwise.co/2015/04/06/used-textbooks-site-valore-acquires-ed-tech-app-boundless/>.



student's identity and authorizations. Learning content—like music today—will be in the air students breathe. Of course, some of the air they breathe will be in retail environments. These environments too must leverage mobile technologies to further educate and empower their in-store customers.

- **The Retail Relationship**—We have already witnessed a shift to thinking about the customer experience. Tomorrow's retailer—on-ground or online—must make sophisticated use of data about its customers and products to craft both positive, memorable experiences and durable and ongoing relationships. NACS data is clear that patronage of the college store is far lower among seniors than freshmen. Is this an artifact of the nature of learning content in those college years, or are college seniors making different decisions based on a larger base of experience? We know that showrooming is now a mainstream shopping behavior and that many of our customers are price checking merchandise against online alternatives in our stores. This is rational economic behavior and is unlikely to be overcome if one is merely brokering transactions. In a transaction bakeoff, the lower cost (time + money) transaction typically wins. Retail operators increasingly understand that they must configure their systems and operations to shift from being a transaction broker to a partner. Amazon provides a high quality (1-click) transaction experience. What turbocharges Amazon sales, however, is the relationship it forms via book clubs, review sites, surveys, reward programs, and other strategies. What equivalents are or should be standard for college stores?

Rivalry within Learning Content Retailing

The learning content retailing industry is perhaps midway through a transformation that will likely leave only minnows and giants. Giants like Amazon leverage purchasing power, technology, and production scale to pricing advantage few can touch. As well, Amazon's online customer relationship management prowess may be without peer. That giant understands that today's college students are the consumer demographic of choice for the company's mainstream business for decades. In early 2015, Amazon partnered with Purdue University, the University of Massachusetts at Amherst, and the University of California Davis. The *Wall Street Journal* reiterated NACS' characterization of the move as "Amazon's opening salvo in a bid to capture some of the \$10.3 billion spent annually in college bookstores."⁸⁹ Longer term, it's likely that Amazon—the owner of 65% of the market in e-books—believes that college-level learning content will go digital to that company's advantage. College store operators Barnes & Noble and Follett will compete intensely with Amazon for continued status as giants in the learning content retail industry. Unless Amazon chooses to become a full-service contract brick-and-mortar retail operator, it will compete as it always has—on price and convenience. Such competition will squeeze learning content margins adding risk to the brick-and-mortar college store business. Chegg will compete directly with Amazon as an online supplier of rented learning content. Chegg will seek to enlarge its giant status by focusing on students and competing with services tied to providing rented learning content. This intensification of rivalry and concentration of "buyer" power will spill into the publishing arena with retail giants exerting pressure on publishers' profit margins.

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Independent college stores in the context of this escalating competitive rivalry are unlikely to be able to compete on price, but instead must continue to leverage their institutional connection. Like Chegg, independent college stores can become part of a web of services designed to enhance the student's success and her/his experience. Close integration with the institution's core enterprise systems—tying registration to reading requirements to seamless ordering and delivery—can distinguish the campus store from the giants. Similarly, close partnerships with the campus library, student academic services, and other campus providers can create cohesive solutions that those who are not inside the "family" cannot.

⁸⁹ Greg Bensinger, "Amazon Makes a Push on College Campuses," in *Wall Street Journal*, February 1, 2015. Available at: <http://www.wsj.com/articles/amazon-makes-a-push-on-college-campuses-1422825521>.



NACS Resource: “The College Store Value Promise,” “NACS Guide to Campus Outreach,” and “The Eight Steps to Providing Digital Content to Your Campus,” available in [The Hub](#) (NACS member login required) or upon request to education@nacs.org

Bargaining Power of Suppliers

The bargaining power of suppliers may either diminish or expand depending of which of two scenarios play out (or both) and to what degree. To the extent that learning content suppliers to bookstores—wholesalers/distributors and publishers—continue to keep the accent on sales of new and used textbooks, it is likely that their bargaining power will diminish. The entry of Amazon, the continued shift to digital, growing faculty awareness of affordability, the potential emergence of a robust OER supply alternative, and students’ increasing unwillingness to absorb rising textbook prices, all conspire against suppliers’ pricing power. And if college stores are able to forge alliances with their campus libraries and others to identify and expose alternative sources of, or approaches to, learning content, supplier power will be further diminished.

On the other hand, if published digital learning content evolves to become an enterprise-caliber, cloud-based, consumer-grade offering that includes adaptive learning, transparent and effective learning design, and actionable analytics, then not only is publisher or distributor pricing power preserved, it is enhanced. Moreover, if this occurs and is embraced by the faculty as a time saver and a contributor to better student outcomes, data from student course enrollments, time-on-task, etc. will make it possible for publishers to forge student relationships that leave out the distributor or college store. Alternatively, digital learning content that addresses personalization, learning outcomes, learning design, and analytics is more likely to become an institutional concern and licensing decisions may move to the academic affairs side of the institution. This is particularly true of institutions that make substantial and widespread use of adjunct faculty and where the variability in learning design, data capture, and assessment may be unacceptably high.

Threat of New Entrants and the Threat of Substitutes

The demise of iconic independent bookstores like Cody’s in Berkeley is likely to discourage newcomers from entering the brick-and-mortar learning content business. Similarly, **the huge capital outlay needed to compete with giants like B&N, Follett, and Amazon is likely to scare off most would-be newcomers to the learning content market.** More likely, entrants to the learning content ecosystem will come from the ranks of those “edupunks” and “edupreneurs” who advocate “an approach to teaching that avoids mainstream tools...and instead aims to bring the rebellious attitude and DIY ethos of ‘70s bands like The Clash to the classroom.”⁹⁰ Conventional textbooks and learning content are precisely the mainstream tools these innovators are rebelling against.

EdTech, which encompasses new-age learning content, is a hot ticket. Education venture and equity financing increased 55% to \$1.87 billion in 2014.⁹¹ New entrants from EdTech are unlikely to either produce or hawk traditional learning content. More likely they will be companies like Quizlet (which provides shared learning tools from students worldwide), Course Hero (which provides online study guides, class notes, past exams, flash cards, and tutoring services to five million students), or the dozens of self-publishing platform and tool providers like LeanPub, Smashwords, Draft2Digital, Kobo, Lulu, and others. EdTech constitutes what Kevin Carey calls “A thriving ecosystem of non-profit and for-profit organizations [that] will develop around the core education providers, offering students a range of services to support, facilitate, and improve their educational experience.”⁹²

⁹⁰ See Anya Kamenetz, *DIY U: Edupunks, Edupreneurs and the Coming Transformation of Higher Education*.

New York: Chelsea Green Publications, 2010. Tom Kuntz is credited with coining the term edupunk and is quoted here.

⁹¹ Ainsley O’Connell, “Edtech Funding Soars to Nearly \$2 Billion,” in *Fast Feed*. Available at:

<http://www.fastcompany.com/3040805/fast-feed/edtech-funding-soars-to-nearly-2-billion>.

⁹² Kevin Carey, *The End of College*, 2015. New York: Riverhead Books.



The threat of new entrants, therefore, is really the threat of re-invention or substitutes. The convergence of digitization, high textbook prices, evidence that students are studying less, and our understanding that only one-third of students may in fact be reading what is required altogether creates a near perfect case for disruption. Disruption initially targets the low-end; that is, the students who may be reading little or even eschewing required learning content altogether due to cost. Such students will accept relevant, if inferior substitutes—at the right price. Over time, as Christensen argues, the inferior substitutes get better and better but retain their appeal as low-cost alternatives.

Bargaining Power of Buyers

The power of the faculty to dictate a student's learning content consumption has been slipping for decades. Grade inflation, faculty time in advising roles, and the rise of helicopter parents and student consumerism all contribute to weakening the authority of the faculty in the classroom. As well, the remarkable growth of do-it-yourself learning via a near-infinite number of tools and pathways reduces the consequences to students who seek out alternative (and cheaper) paths to academic success. Of course not all of these alternative pathways are successful, but we have been unable to find any studies that correlate non-compliance with requirements to acquire specific course materials and academic failure. We simply don't know whether students who do not acquire materials do not read them, or whether they borrow such materials from others.

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If the link between complying with faculty reading requirements and grades is broken, certain students will craft their own learning content mix with increasing boldness and frequency.

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In any case, students are being more and more acculturated to DIY learning via YouTube and other resources, and the decline in reported student spending on learning content (particularly in the face of rising prices) suggests strongly that many students are simply finding another way. This suggestion is strengthened by the knowledge that student success indicators—retention, completion, grade performance, graduation—are not declining along with declining expenditures on course materials. To the extent that this pattern becomes socialized among students, their power as buyers will grow. That is, if the link between complying with faculty reading requirements and grades is broken, certain students will craft their own learning content mix with increasing boldness and frequency.

Students are also more savvy than faculty members, store operators, librarians, and others at finding hacks, workarounds, and other Internet solutions. One university executive in Canada reported that students at his university routinely found textbook editions on websites in India and purchased them for pennies on the dollar of U.S. current editions. Behaviors like these coupled with faculty members' low utilization of the digital supplements that often account for the high cost of a textbook's latest edition encourage non-compliance, weaken faculty influence, and strengthen the student-as-consumer.

Finally, students are adept at mobile computing, mobile commerce, social networking, and e-commerce. It is not unlikely that students (and all e-literate consumers) in the future will have apps that make them mobile buyers (Apple Pay, Wallet, etc.) AND mobile sellers. The transaction cost and other hurdles to becoming a mobile digital merchant are rapidly disappearing. This combined with the emergence of digital marketplaces and hubs will make it easy for students to buy and sell course materials without the inconvenience or overhead of using a store or other intermediary. Of course when commercial learning content is digital, publishers' license terms and IT-based security measures will reduce the informal trade in learning content.



Key Players

Amazon is the big dog in this race. Robin Report CEO Robin Lewis made a provocative prediction in his report “Walmart Can Crush Amazon.” Lewis argues that Walmart can defeat Amazon because, “to its advantage, Walmart already has the most important (and costly) part of the 21st century retailing infrastructure in place: its stores.”⁹³ Amazon is moving to attack the brick-and-mortar retail giants’ advantage by experimenting with drones and by seeking low-cost brick-and-mortar outlets of its own. Campuses are ideal beachheads for such a strategy. If this is correct, Amazon may have more at stake on its Amazon Campus than meets the eye. If securing campus beachheads is one leg of that company’s overall distribution strategy, then both independent and contract college store operators can expect Amazon to be an even more vigorous player going forward. Amazon has also become a major publisher. It would require an extraordinary effort (or investment) for Amazon to make a serious run at academic publishing. Such a run, however, is neither too audacious nor financially out of the question if Amazon felt that such a move was of strategic importance.

The big academic publishers are fighting the clock. New textbook sales are flat or declining. And while there are big campus-wide courseware, analytics, and digital catalog sales to make the news, we also read that Los Angeles County’s Unified School District has just halted its signature \$1.3 billion e-curriculum program over what the publisher refers to as “challenges in carrying out a large-scale implementation of new technologies.”⁹⁴ These publishers are filled with smart people who have a lot at stake. Pressures from content creators, from OER, from rentals, and those that stem from the concentration of buyer power from Amazon, B&N, and Follett are squeezing revenues. The need to smarten up content via personalization, analytics, mixed media, and more is raising the cost of manufacture. The publishers’ best hope is to create courseware that imbeds the former textbook. Courseware can be licensed to the institution and must, by definition, be made available to 100% of the students enrolled in a course. Even at half the current price, publishers who now sell to only 30% or fewer of the enrolled students in a course would come out ahead. The only losers in this scenario are those students who don’t acquire the required course materials at all. That said, the shift to commercially created courseware is not an easy one and raises big questions about the role of the college store in the associated licensing activity.



NACS Resource: “Academic Content Licensing Consolidated List of Considerations,” available in [The Hub](#) (NACS member login required) or upon request to education@nacs.org

Amazon, Apple, Google, Microsoft, MCX, PayPal, Samsung, and Square. The payments industry is undergoing a profound change and 2015 may be a turning point. On the one hand, technology giants like Amazon, Apple, and Samsung released or announced new products that asserted those firms’ potential centrality in the payments ecosystem and their long-term payments ambitions (Amazon Local Register, Apple Pay, and Samsung LoopPay). On the other hand, startups such as Stripe and ShopKeep are carving out market share, challenging older players like PayPal and VeriFone. Mobile payments—which totaled \$37 billion in the U.S. in 2014—are forecast to nearly quadruple to \$142 billion in five years.⁹⁵ Mobile “will comprise 15% of total U.S. payment volume by 2019.”⁹⁶ *Business Insider* points to three trends that will shape the payment card-processing ecosystem in the future: (1) the EMV security migration; (2) the rapid deployment of new payment technologies; and (3) the massive card-fraud problem. College stores are moving quickly to meet October’s Europay, MasterCard, and Visa (EMV) liability shift and to ready themselves for Near Field Communication-based (NFC) payments.⁹⁷ But are they looking beyond that horizon and considering the service provider players, their capabilities, and emerging customer expectations?

⁹³ Robin Lewis, “Walmart Can Crush Amazon,” Robin Report, April 14, 2014. Available at: <http://therobinreport.com/walmart-can-crush-amazon/>.

⁹⁴ Howard Blume, “LA School District Demands iPad Refund from Apple,” *LA Times*, L.A. Now, April 16, 2015. Available at: <http://www.latimes.com/local/lanow/la-me-ln-ipad-curriculum-refund-20150415-story.html#page=1>.

⁹⁵ Michael von Glahn citing data from Forrester, in “Pay Daze: How Consumers Can Pay for Purchases is Changing So Fast It’s Hard for a Retailer to Keep Up,” in NACS, *The College Store Magazine*, March-April 2015, page 26.

⁹⁶ Michael von Glahn, *ibid*.

⁹⁷ Michael von Glahn, “Making Change: POS is Growing Up and Out and Taking the College Store with It. That’s Great News—as Long as You’re EMV-Compliant,” in NACS, *The College Store Magazine*, March-April 2015, page 42.



Chegg and its strategic alliance with distribution giant Ingram are potent players. In particular, it is worthwhile tracking Chegg's planned evolution from a textbook exchange and rental site to a "student hub." Chegg has made a strategic shift that appears to commit the company to an all-digital road map and a concomitant EdTech acquisition strategy. Today, that company's website directs students to: "find cheap textbooks, get homework help, and find internships and jobs."

Technologies and Innovations to Watch

Adaptive Learning and Smart Courseware—In 1961, full-time students at U.S. four-year colleges and universities spent 40 hours per week on class and studying. By 2003, they were investing about 27 hours per week.⁹⁸ During the same period of time, U.S. college grade averages rose from 2.5 to over 3.0. At U.S. private colleges and universities, 2003 grade averages swelled to 3.3 during this same period.⁹⁹ Either our students are collectively brighter than their predecessors or their learning content is better (both are likely true), or standards are in decline and much learning content is being neglected (also likely true). Most important, U.S. graduation rates have moved up very slowly in the past decade suggesting that better grades are not *per se* leading to better attainment of degrees.¹⁰⁰ As discussed earlier, breaking the link in students' minds between reading required course materials and completing the course is challenging for the faculty member, but downright threatening for learning content creators, publishers, and retailers. The pattern of student non-compliance is not new and is not likely to change. What can change is both the reporting of student engagement with course materials and the efficiency and effectiveness of those materials in fostering learning. Publishers, EdTech start-ups, philanthropies, and others are investing in a broad array of capabilities that will allow future course materials to clock student time on task, to adapt to student struggles or triumphs with concepts and exercises, and to capture and contextualize learning performance data that can help faculty members sharpen the focus of their lesson plans. These capabilities have enormous potential for positive change in teaching and learning and unintended potential to alter student learning content buying patterns. For all of these reasons, this family of technologies deserves close scrutiny.

Beacons—The beacon is a device that retailers can attach to store shelves or walls to communicate with customer smartphones. This technology is emergent, but beacon programs are moving out of beta tests and are likely to become an integral part of the retail capability that integrates "bricks and clicks." Beacons allow retailers to communicate indoors with customers, without a need for GPS. They can link to location-sensitive product catalogs, store maps, coupons and flash sales, and payments services. *BI Intelligence* estimates that beacon-triggered messages could directly influence up to \$4.1 billion of total U.S. store sales this year and as much as \$41 billion in 2016. If and as this technology matures and is adopted, consumers will find new reasons to seek out an on-ground retail experience and to de-value store experiences that do not provide this interactive dimension. Wearable technologies such as Apple's iWatch will help drive adoption of beacon technology by making consumer interaction with store broadcasts more casual.

Personalization and big data—Retailers online and on-ground are amassing and using customer data to better tailor the shopping experience to the customer's preferences and taste. Online "recommender" engines from Amazon, Google, Trip Advisor, or Yelp advise us about the books we'd like to read, the cities we ought to visit, the hotels and restaurants we ought to patronize, and so forth. As these tools get better we begin to believe that retailers understand us better than we do! This capability can stir both fears and deep satisfaction. Colleges and universities are in the early days of mining extensive information from learning management systems and student information systems to create actionable predictive models of key student behaviors—such as their propensity to either nail or withdraw from a class, degree program, course of study, etc. Not only would such models be useful to college store operators, but the reverse may be even truer: spending data and consumption patterns from store POS data could help academic administrators understand the student's relationship to course materials and to the campus "brand." Managing personalization and big data is becoming a competitive imperative and independent college store operators may be at risk of falling behind in this important arena. Large contract operators, Amazon, and others are using "data scientists" to

⁹⁸ Philip S. Babcock and Mindy Marks, "The Falling Time Cost of College: Evidence from Half a Century of Time Use Data," April 2010. Available at: <http://www.nber.org/papers/w15954.pdf>.

⁹⁹ Gradeinflation.com, "Grade Inflation at American Colleges and Universities." Available at: <http://www.gradeinflation.com/>.

¹⁰⁰ U.S. Dept. of Education, NCES – *Digest of Educational Statistics*. Available at: https://nces.ed.gov/programs/digest/d13/tables/dt13_326.10.asp.



apply statistical forecasting and marketing techniques to forge “intimate” relationships with customers. These practices demonstrably succeed in bringing customers back. Falling behind in this arena creates the risk described darkly by one provost interviewed: “You [the college store] are sort of the provider of last resort in some cases whether you like it or not.”

Security technologies and practices—At the end of 2012, there were \$1.2 billion debit, credit, and pre-paid cards in circulation in the U.S.—more than in any other region. That is nearly five cards per adult. Credit card losses due to fraud grew from \$3.2 billion to \$7.1 billion from 2009-14 in the U.S. alone (Figure 13).¹⁰¹ U.S. credit card purchases in 2014 reached \$4.4 trillion. A 2012 survey found that 42% of Americans had experienced some kind of credit card fraud in the prior five years.¹⁰²

Figure 13 – U.S. Credit Card Fraud Losses, 2009-14 | Source: The Economist and Nilson Report



Making this bad situation worse, much of this suffering is self-inflicted. In 2012, the U.S. accounted for 47% of all credit card fraud in the world despite accounting for only 23.5% of card sales volume. The U.S. continues to rely on cards with magnetic strips rather than the more secure chip-and-PIN technology used elsewhere. Chip-and-PIN technology combines a personal code with a microchip from which it is harder to extract data than a magnetic strip. In October 2015, Europay, MasterCard, and Visa (EMV) are shifting the liability for credit card fraud to merchants—a move that is mobilizing a rapid and expensive transition to EMV-chipped cards. Industry experts think that by October 2015, when responsibility for card losses on mag stripe cards shifts to merchants, about 70% of the U.S. cards in use will have EMV chips, leaving less opportunity for fraud.¹⁰³ Data from Canada, the U.K., and other countries that have widely converted to EMV cards heralds a radical reduction in fraud. As U.S. retailers race to meet the October 2015 deadline, the tech giants are developing and deploying security systems that use a dizzying array of technologies including: fingerprints, iris scans, facial recognition, and more. As described earlier, the payments ecosystem is undergoing significant upheaval and should be tracked, but it is too early to point to specific technologies or practices that will dominate this activity. This ecosystem segment may remain volatile for decades as new security measures beget new counter-measures.

¹⁰¹ The Economist, “Skimming Off the Top: Why America has such a High Rate of Payment-Card Fraud,” February 15, 2014. Data reported is from Nilson Report.

Available at: <http://www.economist.com/news/finance-and-economics/21596547-why-america-has-such-high-rate-payment-card-fraud-skimming-top>.

¹⁰² Ibid.

¹⁰³ Tom Groenfeldt, “U.S. Credit Card Fraud is Spiking Ahead of EMV Secure Chip Introduction,” in *Forbes* July 17, 2014.

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Critical Questions: Learning Content Retailing

1. *What is the current mission of your campus store? How does the scope of merchandise and services you offer meet the campus' expectations?*
2. *What conversations are happening on campus regarding a course content strategy, course content licensing, open educational resources (OERs), and/or digital/adaptive course materials? Is the store engaged in these discussions?*
3. *What conversations are happening on campus regarding engagement with students via mobile/handheld devices, mobile transaction capabilities and applications, and/or consumer data collection and analysis? Is the store engaged in these discussions?*
4. *To what extent does the store act as a "brand agent" of the institution? Are there expectations and/or strategies in place guiding the in-store experience for customers? The online/mobile experience?*
5. *Who in your store tracks consumer trends, trends in retail technologies, your competitors, etc.? How so, and how and with whom do they share what they learn?*
6. *Does the store have clear and purposeful strategies in place for supporting faculty and students in their teaching and learning roles?*
7. *To what extent are store systems integrated with campus systems? What are the pain points or needed integrations? What consumer insights are you mining?*
8. *What strategic relationships does the store maintain with campus stakeholders? Which are needed?*

Further Readings

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