

**2007-08 AMERICAN MARKETING ASSOCIATION  
COLLEGIATE CASE COMPETITION**

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**MARKETING MCGRAW-HILL HIGHER EDUCATION'S  
E-COMMERCE PORTAL FOR STUDENTS**

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## Executive Summary

The digital age has transformed the higher education publishing industry. Students have flocked to new online distribution channels while showing increasing willingness to adopt interactive learning resources and books in electronic format. As a company prioritizing technology-driven solutions that create value for customers as a key growth driver,<sup>1</sup> industry leader McGraw-Hill Higher Education (MHHE) aims to build a portal to capitalize on this growth in e-commerce. The portal will enable MHHE to solidify its reputation as the leading provider of educational content in a changing competitive landscape.

Initial research helped determine how best to achieve the company's objectives. A survey of the music and pharmaceutical industries confirmed the need to respond quickly to technology, build appropriate relationships, and add value to avoid disintermediation. In-depth interviews and surveys of professors shed light on these gatekeepers' perceptions of MHHE and the decision processes behind their textbook recommendations. Four focus groups and a survey of college students revealed the purchasing drivers and usage habits of these consumers. Since research pointed to an increasing need to directly connect with the end users, students were carefully segmented into five groups based on their study habits, purchasing needs, and behaviors toward textbooks using cluster analysis and other statistical techniques.

The long-term success of MHHE requires a response to the growth in the textbook industry by growing their share of that market, particularly through technological development. The e-commerce portal is proposed with the particular behaviors of the undergraduate student population in mind. The portal will be the answer to establishing and solidifying MHHE's position within the student textbook market by:

- Establishing a student-focused channel with an emphasis on the secondary market
- Using value-added educational content and community building to drive traffic to the portal
- Positioning McGraw-Hill as a leader in the face of emerging technologies by bolstering its brand for students and professors before the innovations develop fully

The portal would integrate the market for physical books with the emerging market for electronic books and facilitate learning between university communities. It would also embrace the secondary market as a revenue-generating opportunity, a means to build better relationships with consumers, and a platform to build a network of users that could be tapped for future sales and advertising revenue.

An integrated marketing communications plan was then developed to launch this new platform and drive awareness, adoption, and purchase. Since college students respond aversely to traditional marketing, the immediate phase of the campaign centered mostly on grassroots efforts and leveraging social networks at ten pilot schools. The plan would include a mix of on-campus events and promotions timed throughout the year to match book-buying and selling trends and build awareness of the portal.

The significant financial outlay that the multi-stage plan requires is well worth the initial investment. Building the infrastructure now will place McGraw-Hill Higher Education at the forefront of a dynamic and lucrative industry, enabling it to reap future rewards while continuing its history of success and innovation.

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<sup>1</sup> The McGraw-Hill Companies. 2006 Annual Report. February 27, 2007. p. 4.

## I. Background

With enrollment in American institutions of higher education at all-time highs and the estimated annual cost of books and supplies for a student at a four-year university hovering near \$900, the higher education textbook market presents a large opportunity for publishers.<sup>2</sup> However, changes in the economic and technological landscape require that traditional industry players rethink their strategy and reliance on traditional revenue models.

Over the past few decades, the preferred method of growth in this market has been for publishers to release new editions of their textbooks, typically on a three-year schedule.<sup>3</sup> Additionally, there has been a 186% increase in the price of textbooks since 1986.<sup>4</sup> While the increased prices and the move to more frequent updates have factored multiple reselling into the price of the book, they have also spurred more growth in the secondary market. Unwilling to buy more expensive books more frequently, many students have found alternative channels from which to purchase their textbooks. Professors are also growing increasingly resistant to passing costs to their students in the form of edition upgrades, thus encouraging the growth of used book sales.

On the technology side, the growing focus on online learning resources and digitization has necessitated that traditional textbook publishers seek out new ways of reaching students with electronic learning tools. Oftentimes, this means providing students with content directly, which can be an excellent opportunity to gain consumer insights, but raises the additional challenge of maintaining relationships with traditional retail partners.

McGraw-Hill Higher Education represents 34% of a 3.5 billion dollar industry,<sup>5</sup> placing it in the best position to revolutionize the industry. The e-commerce portal that MHHE seeks to establish should enable the company to retain its position as the industry leader in addition to achieving its mission of helping people reach their potential.<sup>6</sup>

## II. Situational Analysis

This situational analysis considers the internal strengths and weaknesses of McGraw-Hill Higher Education as a business unit and the opportunities and threats it faces as the digital market continues to grow. A SWOT grid is contained in Exhibit A.

### Strengths

#### Brand equity

MHHE has a strong presence in the educational publishing industry due to its reputation as a quality provider of learning solutions, strong roster of well-known authors, and wide range of products. Its high brand awareness and positive brand associations endure over time — professors interviewed said that the publisher was top-of-mind because it was the same brand they had used as students.

#### Customized content

MHHE is a leading source of custom texts, which greatly aids professors who wish to tailor content for their courses. To the benefit of the publisher, these materials limit buyback ability and reduce the threat of secondary markets since they are specific to particular classes.

#### Existing relationships with professors

Like doctors in the pharmaceutical industry, professors are the gatekeepers in the textbook industry. Maintaining good relationships with these gatekeepers is thus crucial to maintaining favorable brand perceptions and healthy sales levels. MHHE's sales representatives, who serve as brand ambassadors at schools across the nation, were acknowledged as the

<sup>2</sup> Government Accountability Office. *College Textbooks: Enhanced Offerings Appear to Drive Recent Price Increases*. July 2005, p. 6.

<sup>3</sup> *Ibid.*, p. 17.

<sup>4</sup> *Ibid.*, p. 17.

<sup>5</sup> "Marketing McGraw-Hill Higher Education's e-commerce portal for students." 2007-2007 AMA Collegiate Case Competition Packet, pp. 6-7.

<sup>6</sup> The McGraw-Hill Companies. 2006 Annual Report. February 27, 2007. p. 3.

industry's best in primary research. While human contact is very effective, the company must find additional touchpoints to accommodate the schedules of these busy professors.

## Market power

With a large market share and extensive resources at its disposal, MHHE has power over its content providers and distribution channels. It also has an advantage over third party sites like Amazon and Half.com, which could be considered substitutes, due to its intimate knowledge of the book editions that each professor is using across the nation. (See Exhibit B for an in-depth analysis of industry dynamics.)

## Weaknesses

### Commoditized product

While MHHE has a stronger brand relative to its competitors, students have become so price-sensitive to books, especially required texts, that these products have become "commodities." To increase brand loyalty and to justify the price of its books in students' minds, MHHE must give consumers a better value proposition, rather than simply bundling study guides and CD-ROMs that offer little additional value in the eyes of students. Professors will have increased incentives to adopt these products for their classes if they truly help students learn better.

### Intermediary status

MHHE's strength is partly based on its roster of authors. In order to avoid being disintermediated like the record labels in the music industry, it must demonstrate how it adds value by providing access to the consumers that the author alone cannot reach. With open source and open access movements in the digital world, where content can move directly to the end user with ease, it is particularly important that MHHE strengthen its value proposition in an effort not to be lost as the middle man.

## Opportunities

### Growing demand for higher education

The increase in skilled positions and use of technology has resulted in a growing demand for higher education. Enrollment in American institutions of higher education is at all time highs and is expected to continue growing by at least 1.1% per year for 2008 and 2009, bringing the total number to around eighteen million students within the next two years.<sup>7</sup>

### Attractiveness of the student market

Publishers' target audience of college students represents a desirable demographic for advertisers and other marketers interested in partnerships, and MHHE has an opportunity to use its hold over a somewhat captive audience to collaborate with other companies seeking access to this group through advertising, etc. Universities and professors may be somewhat resistant to the move, but, handled delicately, MHHE has a chance to be a provider of access to this very specific target on behalf of other companies.

### Expanding adoption among the younger generation

While several publishers have made forays into the e-book industry, the technology currently exceeds the level of performance required by the average user. (Exhibit C explains technology adoption in greater detail.) The average college student may not be ready to upgrade to the new format; consequently, professors may put off the adoption of digitized books. The incoming classes of undergraduate students, however, are and will continue to be even more Internet-savvy than their predecessors. E-books may be the perfect means of specific content delivery for this younger audience.

### Lack of clear leadership in the emerging digital market

Players like Thomson have released their own e-commerce portals for textbooks to relatively little fanfare.<sup>8</sup> Their failure to make headway in the market represents an opportunity for another publisher to approach the space proactively and

<sup>7</sup> "Enrollment in Educational Institutions by Level and Control of Institution." National Center for Educational Statistics. <http://www.nces.ed.gov>.

<sup>8</sup> Thomson owns the online portals iChapters.com and AtomicDog.com, discussed in Section III.

gain market leadership. If the new entrant can improve upon the business models and the technology these older sites employ, it can gain a late mover advantage while still being seen as a pioneer of new technology.

## Threats

### Backlash against publishers

Students have a general perception that print textbooks are overpriced and demand is artificially stimulated by perpetual releases of new textbook editions. This has resulted in bad reputations for publishers and bookstores alike. Students and professors have become a skeptical audience who do not trust these wholesalers and retailers to give fair prices.

### Secondary market for textbooks

Students have turned to the used book market to save money on books they need to purchase or to recoup part of their previous textbook expenses. The strength of the secondary market is on the rise and students appear to have few qualms about the quality of these books.

The used book market includes informal swapping among students and more formal exchanges like bookstore buyback programs and online used book marketplaces. Physical barter among students is hard to police because students alone hold the information regarding sales and trades. At campuses across the country, enterprising students have created online ventures to facilitate these trades. Academic clubs and organizations also frequently sponsor coordinating events for these trades. Moreover, retailers have incentives to facilitate these transactions as well — the National Association of College Stores reports that the margin they receive on a used book is around 33%, while their take of a new book is only about 23%.<sup>9</sup>

### Slow adoption by gatekeepers

Though a younger generation of students may be ready for new technology like e-books and online learning tools, these new methods were generally not part of the social process or script of most professors. As previously mentioned, consumers are unlikely to buy textbooks unless the professors assign them. Bringing the gatekeepers on board will thus be a key challenge to the success of any new venture in the industry.

## Piracy

The costs to consumers of pirating books are currently high. Students will only opt to scan and print every physical page of a book if they are willing to tradeoff time and effort with convenience and price savings. Electronic copies of a text, however, are far easier to reproduce. That factor, coupled with the sometimes hostile attitude students take toward publishers, may complicate the development of new learning technologies.

## III. Secondary Research

### Industry comparisons

Examining other industries can be useful in understanding the particular challenges facing McGraw-Hill Higher Education as it attempts to expand its reach to students and develop technologies for them.

### Pharmaceutical industry: The role of gatekeepers

Professors and students have a gatekeeper relationship much like that between doctors and patients. Doctors and professors are both expected to be highly knowledgeable about the range of options and prescribe or assign the most appropriate product for the needs of patients or students, who then make their own buying decision according to that advice. This gatekeeping function of the doctor and the professor thus illustrates the importance of a well-trained and effective sales force — pharmaceutical and publishing companies must ensure that their products will be selected by the gatekeepers before they can worry about whether or not those products are actually purchased by the end users. Unfortunately, it is unlikely that publishers could go around gatekeepers to create demand the same way pharmaceutical

<sup>9</sup> GAO, *College Textbooks: Enhanced Offerings Appear to Drive Recent Price Increases*. July 2005, p. 17.

companies did with direct-to-consumer advertising. Students do not have the same power of demand, nor, in many cases, do they have the interest in selecting textbooks. The best way for students to have pull-demand control over their gatekeeper professors is in their desire for classroom technologies. Being on the forefront of product quality to ensure adoption from professors and building technologies for students will help MHHE avoid the gatekeeper issue by building demand on both sides.

### **Music industry: The importance of being proactive to changing technology**

Technology shifts can make or break an industry. Providers of intellectual content like publishers and music labels have to be especially proactive in protecting their role as content providers from disintermediation and piracy as technologies change. As college classes become increasingly made up of digital natives, the demand for academic technologies will be pushed even further and publishers will face a dilemma much like that of the music label in the peer-to-peer boom if they cannot match that demand. As technology spurred demand for new music formats, the music industry struggled to keep up and labels found themselves facing massive losses while consumers found other channels for their music. The losses sustained illustrate the opportunity lost by the slow reaction of labels, which allowed piracy to develop and even gave some musical artists the freedom to go directly to listeners, cutting out the labels altogether. While the technology required for a similar shift in the publishing industry is not yet widespread, the surprisingly strong sales of the Amazon Kindle<sup>10</sup> illustrate that consumers are gaining interest in digital reading content and that publishers must respond now. It is vital for publishers to get ahead of technology and re-affirm their value as editors and distribution links between authors and professors/students in order to prevent this sort of decline due to piracy or disintermediation.

### **Competitive comparisons**

A critical look at the online space for higher education reveals competition from both publishers and third parties. Exhibit D compares the complete features of these sites.

#### **Portals run by other publishers**

Other higher education publishers have already entered the online portal space for their products. Thomson owns iChapters.com for its own materials and AtomicDog.com for custom publication materials. iChapters.com markets itself predominantly toward students, promising to help them “ace their midterms” and offering a prize of free textbooks for the winner of a photo contest called “Show Us Your Stack.” iChapters.com’s digital content agreement includes licensing material to students for access on two computers, one semester at a time. Additionally, the site monitors printing behavior to keep unlawful distribution to a minimum. The site is unique in offering a per-chapter purchasing option for students who only want or need selected portions of the books. AtomicDog.com’s interface is slightly less end-user-friendly, likely because the site focuses on a smaller market and tries to be a more integrative experience, as opposed to focusing on purchasing.

#### **Third party sites**

The other web sites that compete in this market are third party-owned, non-publisher-operated sites that generally serve one of two functions – content distribution or secondary market facilitation. These web sites generally stake their value in making life easier for students by providing cheap and hassle-free content online. Study.net allows professors to create a repository of online content that is made available to students with a login. The site handles royalties and copyrights, only charging students the necessary fees. Textbookrevolution.org is a student-run site that hosts open-source and other free content.

Secondary market sites run the gamut from student-run intermediaries on local campuses to Amazon.com and eBay’s Half.com, where secondary texts are only one of many used products available. A local business offers the ease of dropping off books and cash payment while a larger scale, national one offers the secondary buyer and seller a much greater range of products and potential buyers.

<sup>10</sup> Schiffman, Betsy. “Amazon’s Much Mocked E-Reader Sells Out.” Wired.com’s Epicenter. 12 December, 2007. <<http://blog.wired.com/business/2007/12/amazons-much-mo.html>>

## News and Industry Trends

Some relevant trends surfaced in background research of the textbook industry, many of which were important in conducting primary investigation. Among the most interesting findings were the following:

### Usage information

Figures vary, but analysts estimate that students purchase as few as 20% of their required texts.<sup>11</sup>

### Professor attitudes

A 2003 study indicated that only 4% of college professors were using e-texts at the time, but that 42% expected to be using them by 2006.<sup>12</sup>

### Online attitudes

About 20% of textbook purchases in 2006 were carried out online.<sup>13</sup>

### Rising costs of textbooks

Textbook prices have grown at twice the rate of inflation over the past two decades, increasing the demand for substitutes of physical text.<sup>14</sup>

### Technological innovation

There has been a recent trend toward the introduction of electronic readers, which store texts and books in a PDA-like device, allowing the consumer to read off an electronic screen. While most offerings have failed to catch on due to design flaws and slow adoption, the surprising popularity of Amazon.com's new e-book reader, the Kindle, demonstrates consumers' demand and interest for a more portable and cutting-edge way to read books and texts.<sup>15</sup>

## IV. Primary Research

### Qualitative Research

#### Focus Groups

Four focus groups were conducted between two four-year universities in the area. The two universities offer a large and diverse population of students with various majors and degrees of academic rigor. These focus groups were designed to understand students' textbook usage, study habits, and attitudes toward a publisher-produced student portal. The first two focus groups distinguished participants on purchase behavior, with one group of regular buyers and one group that found ways to avoid buying textbooks. The second two groups made no distinctions in purchase behavior for the group, but rather aimed to understand general student sentiment for a student portal.

#### Attitudes toward Textbooks

##### Regular Buyers

- Students who were regular textbook buyers generally buy textbooks when the professor requires them.

<sup>11</sup> Kirschner, Ann. "Phoenix Rising: Online Learning's 600 Pound Gorilla Tangos with Publishers." Marketing Partners International. October 2003. <<http://www.publishingtrends.com/copy/03/0310/0310phoenix.htm>>

<sup>12</sup> Falk, Howard. "Electronic Campuses." Emerald Insight. *The Electronic Library* 21.1: 2003 (63-66). <<http://www.emeraldinsight.com/Insight/ViewContentServlet?Filename=Published/EmeraldFullTextArticle/Articles/2630210107.html>>

<sup>13</sup> National Association of College Stores. "FAQ on College Textbooks." April 2006. <<http://www.nacs.org>>

<sup>14</sup> Government Accountability Office. *College Textbooks: Enhanced Offerings Appear to Drive Recent Price Increases*. July 2005, p. 6.

<sup>15</sup> Schiffman, Betsy. "Amazon's Much Mocked E-Reader Sells Out." Wired.com's Epicenter. 12 December, 2007. <<http://blog.wired.com/business/2007/12/amazons-much-mo.html>>



- Current textbook buyers would always prefer printed materials to reading texts online. The upper limit to willingness to complete online reading was approximately 20 pages.

### *Non-Buyers*

- Non textbook-buyers do not care whether the textbook is in print or online form; it is price that is the most important factor in the purchasing decision.
- Many of these students pirate textbooks from other students (copying pages) or from online sources (international copies).
- With the Internet and even Wikipedia, the textbook is no longer a lifelong reference.
- Upperclassmen are particularly jaded and would re-do their textbook buying experience if they could, especially avoiding university bookstores, and would encourage freshman to do the same.
- Non-buyers feel that buying textbooks directly from the publisher does not offer savings since the publisher can implement any markup that they want to.
- They do not care who the publisher is on a textbook, and do not feel remorse for taking profits away from a publisher.

### *The Online Portal Focus Group*

- Many students find the idea of buying texts on a per-chapter basis extremely appealing since most students do not read the entirety of their textbooks.
- Students pointed to a desire for a particularly strong value-based messaging (i.e., “save x% on books” rather than, “do well on your tests” by using this portal)
- Students who currently use other academic software (Blackboard, etc.) find their usability poor and want a more uniform manner of communication across all classes.
- Students in large classes (75+ students) would benefit more from increased interaction with the professor or teaching assistants than from interaction with other students in the class.
- Most participants sell their books in secondary markets and would be interested in using a service that helped to facilitate the process.

### **In-Depth Professor Interviews**

Ten professors from a variety of disciplines (marketing, engineering, literature, etc.) were interviewed about their perceptions of McGraw-Hill Higher Education’s offerings and their opinions of a student-focused publisher-run portal. These interviews, combined with the professor survey conducted (discussed below in Primary Research), shed light on two distinct types of professors.

#### *Professors who DO NOT put in large amounts of effort into book selection*

These are professors who generally teach large, introductory classes and default to the most famous or most well-known book. For these professors, the publisher’s image is defined almost solely by the company’s representative. While these professors believe that e-books would be cheaper to produce and distribute, they don’t have faith that the price for end users would go down, feeling that publishers would rather keep margins high on e-books. The most important factors in choosing a textbook for these professors are a well-known author and a widely used text; the price of a textbook rarely comes into play. These professors are generally slow adopters, and many would be unwilling to use an e-textbook unless there were also a paper option or there was a dramatic price cut.

#### *Professors who DO put in large amounts of effort into book selection*

The most important factors in choosing a textbook are content and the convenience for the student. These professors have a notion that publishers overcharge, and would rather not impose extra costs on the students. Many of these professors will try to choose cheaper options (soft cover over hard cover) or make their texts optional. To that end, this type of professor will also make more options for texts available as far as downloading, printing or distributing already printed copies through on-campus outlets. These professors indicated interest in using e-book technology even when they were unfamiliar with it, especially where they felt it might be more convenient for students.

## Quantitative Analysis

In order to gain a deeper insight into various concerns surrounding textbook purchasing and the acceptability of non-textbook solutions to replace the current options, two surveys were distributed.

### Survey Design

#### *College Students Survey*

The survey of college students aimed to understand consumers' attitudes toward the textbook purchasing process and emerging classroom technologies. The sample survey can be seen in Exhibit E. The survey drew 176 responses, ensuring explanatory power and statistical significance. It should be noted, though, that the majority of respondents were undergraduates at a four-year private university. However, these types of students tend to be early-adopters of classroom technologies, meaning that answers indicating a preference for technology usage are particularly insightful.

#### *Professors Survey*

The survey of university professors aimed to understand the instructors' feelings about MHHE based on the professors' position as gatekeepers as well as to grasp their motivations for choosing different kinds of textbooks. The survey, which generated 23 responses in addition to our ten in-depth interviews, included professors from 12 public and private universities. Most professors were between the ages of 40-50 and had been teaching for quite some time (96.7% have taught for over 6 years). The full survey can be seen in Exhibit F.

### Survey Analysis

#### *College Students Survey Takeaways*

Most students surveyed considered themselves tech-savvy. Other than e-mail, school-related activities serve as the most important reasons the students use the Internet; this indicates a strong willingness to use online content for learning. The majority of students surveyed actively seek out materials other than those recommended by professors when studying. Search engines and open source sites like Wikipedia.org are especially popular to that end. The idea of using the portal as a source for and aggregator of these outside sources would significantly improve its appeal to this type of student.

The majority of students purchase used books through online sources and school bookstores. In deciding whether to purchase a textbook or not, the price of the book and if it is a required text ranked as "very important" factors. Among the online sources used, Amazon.com is by far the most popular service. In terms of features offered, responses showed that the lack of ability to preview the book and specific textbook information ranked as the top two reasons students disliked websites, which indicates that a local used market is preferred by students.

While a large number of students indicated that they usually buy the required textbooks for a course themselves, 62% indicated other methods of accessing the text. Nearly a third of students surveyed (32%) indicated that they borrow or share with friends when choosing not to buy a text. The survey also showed that 58.68% of students would rather buy used textbooks if given the choice. These preferences show strong price sensitivity within the consumer body. Indeed, a large portion of students showed that they buy books from friends when possible.

Students showed strong negative feelings toward publishers. When asked who is at fault for high textbook prices, 55% of students answered publishers, 40% selected bookstores, and only marginal percentages laid the blame on professors or other sources. However, despite their negative attitudes, students in general are not familiar with publishers and half of those surveyed have not been to a publishers' websites, though, those who do visit publisher's websites find it at least somewhat helpful when studying.

In general, students purchase all of their textbooks through the bookstore (especially freshmen) or use an online source. The main reason students turn to the Internet to purchase books is price, which indicates that the potential cost/margin savings for e-books can be very valuable for MHHE's attempts to reach these students.

As far as using online learning materials, students were more willing to read shorter content like small articles, blogs and news stories online than books and textbooks. They expressed a concern over difficulty reading longer books online and indicated a strong belief that having a physical book is crucial to learning. At the same time, many also expressed interest in purchasing e-textbooks if that option would be cheaper. Students believe in the technology and the convenience of e-books, but they need a way to get that book in physical form, too. Previous usage of e-books was also quite low,

indicating that MHHE has a lot of room to come into the market and make a good (or bad) impression. For relevant highlights, see Exhibit G.

### **Professor Survey Takeaways**

Relative to other publishing companies, including Houghton-Mifflin, Pearson, and Thomson, professors seem to have a better perception of MHHE offerings and book representatives. Professors evaluated McGraw-Hill book offerings as “good” or “outstanding” 57% more often than the next highest publisher. The MHHE book representatives had an even better showing, with the most “good” and “outstanding” responses across the board.

Although publishing companies, including McGraw-Hill, are pushing for add-ons to drive sales and increase professor loyalty, almost 61% of professors surveyed have never been shown the add-ons available for their courses. Of those who have been shown these add-ons, the professors were not exceptionally impressed, only 10.5% of those who had seen the options indicated a strong reaction. In general, professors are not overly enthusiastic about the ancillary content available and less than 25% of these professors ultimately used these add-ons in the classroom. Due to concerns over the true educational value of ancillary sources and the additional work required to implement them, a large number of professors also avoid using alternative media in their courses.

One option that MHHE can capitalize on with professors, however, is custom publication. Most professors favor custom publication. Since an online platform is very conducive to efficiently producing custom publications, McGraw-Hill can use this strength to drive more traffic to the online portal.

Professors were responsive to student preferences regarding text materials (78.2% indicated it as a decision factor), so they are likely to remain open to e-books as the technology develops and students demand it. That willingness to listen to student opinions is vital in overcoming the gatekeeping function of professors in targeting students with an e-commerce portal. For relevant highlights from the professor survey, see Exhibit H.

## **V. Consumer Segmentation**

Since students represent the best way to bring the gatekeepers on board, it is crucial to understand their unique needs and wants to determine how best to reach them. A mix of behavioral segmentation (based upon the students’ benefits sought and usage of textbooks) and psychographic segmentation (based on their lifestyle, attitudes, and opinions) was employed. Using cluster analysis and significance tests on correlations between survey responses, undergraduate students were segmented into four psychographic segments using primary and secondary research data. (See Exhibit I for detailed explanation of the segmentation process and Exhibit J for more information about segment sizing and characteristics).

### **Primary Target Segment - Studious Stu**

Studious Stu’s primary reasons for purchasing textbooks are the willingness to pay and desire to learn, as well as the psychological need to excel in academics. He buys all the required textbooks and many of those which are additionally recommended by his professors. Compared to other students, Stu is also more likely to purchase supplementary learning materials, such as quizzes and study guides, in order to expand and boost the learning experience. He will choose to keep many of these textbooks and supplementary materials instead of selling them in the secondhand market so that he can use them for references in the future. Stu is not price-sensitive when it comes to educational materials because he sees them as an investment in the future, and thus has a higher threshold for spending compared to other students.

### **Secondary Target Segment - Convenience Clyde**

The secondary target segment consists of students like Convenience Clyde, who is primarily driven by his psychological need for what is easy and accessible. He does not like to go to the bookstore and wait in the long lines at the beginning of each semester, preferring to buy his books online so that they will arrive directly at his door. While Clyde is not particularly interested in supplementing his education with extra materials, he will do so if he has trouble with a particular subject. Clyde will choose to buy all the texts required by his professor since taking the time to see what is actually necessary or useful takes too much time. As such, Clyde is relatively price insensitive since he values his time over money.

## Tertiary Target Segment - Bonnie Cash

Bonnie Cash is most likely an upperclassman who carefully weighs educational value with dollar amounts. Her main psychological driver is the need to feel that she getting the most for her money when buying textbooks. Because she hates paying for books that she will not use, Bonnie is extremely price sensitive and carefully researches the different prices for her textbooks. Bonnie will buy from the second-hand market, borrow texts from the library, or share texts with other people in order to save money. Rather than paying for supplementary material, Bonnie is more likely to utilize Internet sites to find information or go directly to her professor or teaching assistant. When the semester is over, Bonnie will immediately sell all of her books, getting quotes from many different sources in order to get the best prices.

## Non-Priority Segment – Apathetic Eddie

Apathetic Eddie, an upperclassman, has been jaded by years of paying for textbooks but not using them. He feels that textbooks are typically overpriced and overemphasized by both the publishers and professors, and actually takes pleasure in *not* purchasing textbooks. Therefore, Eddie will wait to buy textbooks until he knows for certain that he needs them for class. Eddie is not driven by cost, so when he does buy textbooks, he will simply buy it through the most convenient means. He will most likely not buy supplementary materials as he sees this as a waste of both time and money.

## Non-Priority Segment – Status Quo Joe

Status Quo Joe is a student who buys at the bookstore on campus not necessarily for convenience, but because he is unsure of the other options available. This group is made up largely of freshmen who may not yet be aware of the other options for purchasing or who are too nervous to test the time limits of textbook purchasing, wanting to be prepared for the first day of class. While the group indicates a particular behavior, this behavior is likely to change to match one of the other groups past the first year or even first semester of school, making them a non-priority.

## VI. Strategy

McGraw-Hill Higher Education's success in the long-run necessitates not only growing the textbook-buyer industry, but also McGraw-Hill Higher Education's share in that market. To accomplish this goal, MHHE must drive revenue and grow the consumer base in the short-run, so that the infrastructure will be in place for it to become the market leader in the future. The student portal is the tactic through which this strategy can be carried out.

Thus, the proposed marketing plan for the online student portal will serve to establish McGraw-Hill Higher Education as a leading provider of online academic services in the minds of both students and professors by building a portal that:

- Establishes a new **student-focused channel** of physical textbook sales and distribution by leveraging knowledge about the consumer to avoid disintermediation by content providers and to **control the secondary market**
- Offers **educational value-added content** in a variety of subjects to drive usage of the portal
- **Draws together academic communities** to foster a free flow of information and further define customer needs
- Allows McGraw-Hill Higher Education to position itself favorably as **a leading provider of emerging e-textbook technologies** before the market matures
- Conveys the **McGraw-Hill brand of higher education** and capitalizes upon its consumers preferences

This goal of making McGraw-Hill the leading provider for both students and professors depends on a careful implementation of a three-fold strategy that adapts to technological changes within one year, five years, and further into the future.

## Key Strategic Points

### Student-Focused Channel

Students are not always given much power in the textbook buying relationship, but research indicates that professors are willing and ready to listen to their input. By serving the needs of students, McGraw-Hill Higher Education will create a unique channel that works on demand in both ways -- upwards from students based on demand for academic technology and downwards from professors based on the existing sales relationships with MHHE representatives.

### Control the Secondary Market

Offering a secondary marketplace on the portal presents a tremendous opportunity for MHHE to compete on a local *and* a national scale. This feature is really appealing to the sector of students who are shopping for the best price and MHHE has the added benefit of data mining and inventory control on top of any listing fee set for the service.

### Educational Value-Added Content

By offering content that centers around and expands upon the actual textbook (study guides, interaction with professors, etc.), MHHE can drive traffic to the portal for non-purchasing functions. By making the book simply one part in the entire educational experience, much of which will be housed online, MHHE can help deter the commoditization of its own textbook products.

### Draws Together Academic Communities

Building off of the concept of value-added educational content, using the portal as a way of fostering academic communities through discussion between students and professors or teaching assistants is key to keeping students interested in the portal beyond an initial purchase. Building this consistent usage is important to driving value in partnerships and other uses for the portal as well.

### Leading Provider of Emerging E-Textbook Technologies

As previously discussed, the importance of adapting to technological changes cannot be stressed enough. Students are already beginning to demand this type of technology-based education, and professors are becoming more and more amenable to these requests. It is important not to be left behind, and to be able to serve the needs of the earliest adopters even now.

For more on strategic analysis, see the charts in Exhibits K and L.

## VII. Positioning & Targeting

### Positioning

With the aforementioned segments and the company's core competencies in mind, McGraw-Hill Higher Education must position itself as the foremost provider of innovative educational materials.

The McGraw-Hill Higher Education e-commerce portal will be the leading destination for undergraduate students seeking higher education materials and interactive resources. The portal aims not to compete with professional course software like Blackboard or with purely social networking sites like Facebook; rather, the site aims to combine academic purchasing and academic networking functions into one learning-focused portal.

### Targeting

Although the portal itself will be especially valuable to students in the aforementioned primary and secondary target segments at any school, targeting specific schools for promotions is crucial in making effective use of the \$450,000 budget.

In in-depth interviews, professors who had taught at large public universities and small liberal arts colleges said that larger schools would benefit most from increased communications between students and professors. At large public universities such as the University of Texas, professors teach multiple classes, class sizes are larger, and one-on-one student-professor interaction is rare. As such, it makes sense to first roll out promotions at large universities with student populations of roughly 20,000 and proximity to other campuses.

- Students at large universities will gain the most value from a mechanism that allows them to interact better with professors or get value-added content that they do not get from large, impersonal lectures. Therefore, it is at these schools that MHHE can garner the most usage and brand loyalty efficiently for its portal, which serves their key needs.

- Since these schools have larger student bodies, ad spend per student can be minimized and there will be a higher chance of accumulating a large core audience for the online network.
- Word-of-mouth is the best form of advertising since consumers trust their peers more than any advertisement. Therefore, reaching a large initial consumer base to spread the word about the portal is important for maximizing the effectiveness of the budget.

Though the promotional campaign will start at large universities, the portal's usage will not be limited to these schools. Smaller schools can also benefit greatly from the features of the site. Usage at big, well-known universities will be a signal of value and speed adoption at these other schools.

## VIII. Integrated Marketing Communications Plan

To drive adoption among its target segments and achieve the desired positioning for McGraw-Hill Higher Education, a comprehensive marketing plan for the e-commerce portal is outlined below.

### Overall Objectives:

- Become a high-traffic destination site with content that will be both profitable for MHHE and valuable for its user community
- Increase trust among skeptical consumers by showing them that MHHE is empowering them with information
- Leverage MHHE's core competencies to differentiate it from other publishers' websites and third party sites

### Portal Features:

#### Goal

- Create relationships with the students that will lead to favorable new impressions and associations with the McGraw-Hill Higher Education brand

### Branding and Design

#### *Name: Textology.com*

The name Textology implies learning, as the suffix “-ology” denotes an academic discipline or field of study. MHHE controls “text” or academic content and transforms it into value-added physical property, from material textbooks to digital e-books to a copious number of study guides and manuals. While students currently turn to Google and Wikipedia with questions about the sociology, ecology, or other “-ologies,” the site will become the place to access when in search of text-related answers.

The name change would differentiate the brand extension from McGraw-Hill's other offerings, in addition to being a catchy brand-building tool that would cast MHHE in a favorable light. The publisher is presented as the expert in its field, with studious but not boring connotations.

#### *Logo & Tagline*



*The Source for Students*  
**TEXTOLGY.COM**  
 Powered by McGraw-Hill

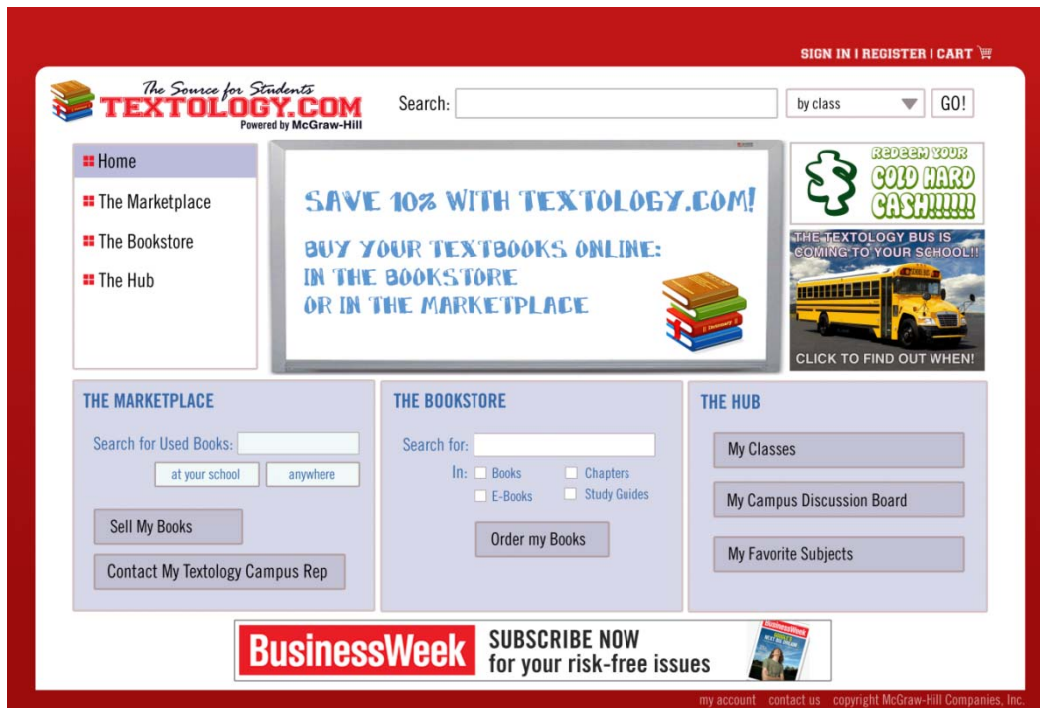
**Books:** The eye-catching stack of books serves as a strong signal for the end user's overall experience. It instantly anchors users to the academic purpose of the site.

**Font:** Having Textology.com in a memorable and easily identifiable varsity-style font gives the portal a collegiate feel. The site thus becomes more age-appropriate while the more pedantic aesthetics of the current McGraw-Hill site are removed, making it more likely to resonate with the target users.

**Crediting McGraw-Hill:** The acknowledgement of the portal's connection to MHHE will help raise awareness of the McGraw-Hill brand among students. Being upfront and transparent about the ownership of the portal may also help mitigate some of the ill will toward publishers that some students harbor. (Competitor Thomson currently does not feature their name prominently on iChapters.com, leading some students in focus groups to feel like they had been misled.) The credit would further differentiate Textology.com as the source for premium academic content, separating it from less credible sources like Wikipedia. The explicit reference to McGraw-Hill would serve as a cue to the legitimacy of site content for professors who want to recommend use of the portal for their classes. (Some professors indicated discomfort with telling students to go to Thomson's AtomicDog.com, whereas they felt Study.net was a serious enough name.) Textology should be further associated with MHHE by providing a link from McGraw-Hill's other relevant sites.

**"The Source for Students" tagline:** The catchy tagline will reinforce the academic nature of the portal while stressing the emphasis on the end-user. It serves as constant reinforcement that the portal is a destination where they can access school-related content. Whether they want to buy or sell textbooks, talk to members of the community about academic problems, or try the emerging technology of digital textbooks, Textology.com is the one-stop source for all of their needs.

### Homepage



**Colors:** The white background encourages browsing for longer time periods, as white is a neutral shade that end-users will feel comfortable looking at for hours. The bordering red background harks back to McGraw-Hill's logo.

**Message:** Featuring the tangible benefits from the site prominently will set MHHE apart from competitors like iChapters, who offer non-realistic promises like "Ace your midterms!"

**User-friendly Interface:** Ease of navigation will make the site more accessible to professors and students alike. Ease of use is instrumental in cutting through the clutter to which students are exposed daily online, while simultaneously making the site less daunting for professors who are not technologically-savvy. Even the banner ads are prominent enough but unobtrusive.

## Content

### Goals

- Offer an optimal mix of revenue- and non-revenue-generating content
- Use the content to leverage knowledge of consumer purchase behavior and desires

### **The Marketplace**

This revenue-generating secondhand marketplace will allow McGraw-Hill Higher Education to control buyback of all their textbooks (excluding custom texts, which have little to no resale value). Students will use the Marketplace to sell their used MHHE texts back to the publisher. MHHE will then sell these books to other students at a price competitive with what Amazon.com and other sites offer yet still profitable to the publisher. The value proposition to the students would be a guaranteed percentage of their money back for MHHE books in good condition. It can also offer a wider selection of products, as opposed to student-run book-sharing sites that have a limited selection and a fragmented audience because they only serve one campus. Moreover, a secondary marketplace supported by MHHE will add legitimacy and quality assurance to the products offered as compared to individual sellers on sites like Amazon.com.

Publishers have traditionally shied away from the secondary market, but students will always find ways to sell used books regardless of whether the publisher supports the activity. Rather than see this market as a threat, MHHE can seize it as an opportunity for growth. Taking hold of the secondary market will not only be another stream of incremental revenue for MHHE, but it will also allow the publisher access to students it would not otherwise have been able to reach. The inventory management functions of the secondary marketplace in the portal are tremendous. MHHE will be able to see who is buying what books and where, and, when appropriate, work to pull outdated books off the market and promote new editions.

For the secondary market to operate effectively, MHHE must do the following:

**Streamline selling and buying processes to compete with other online retailers:** MHHE must make the buying and selling experience as user-friendly as possible. Specific tactics could include giving students an online quote for their books and allowing them to send all their books to MHHE in one convenient shipment. Also, when featuring the books for resale on the portal, MHHE should clearly state the book edition with a picture of the text so that students know exactly what they are buying.

**Structure the website to induce purchases:** MHHE should feature promotions like debiting “money” that can only be used on Textology.com into the seller’s account. MHHE should frame this as making the purchasing process easier on the student, as the student can simply ship out their old books and have cash in their account to purchase new books soon thereafter.

### **The Bookstore**

This online store for new texts and study aides will be MHHE’s biggest revenue-driver.

**Physical books and study guides:** With MHHE’s sheer size and market power, it can achieve economies of scale that will enable it to charge better prices for its books and study guides than other retailers. It can also make the information that it holds about the list price, content, and edition of each book available, allowing students to comparison-shop. This will give students an incentive to make the extra effort to visit the site.

**E-books:** As technology develops and digital textbooks become more popular, MHHE must have the infrastructure ready to capture a potentially large customer base and future revenue stream. By making an e-book option available next to physical books, students and professors may be encouraged to explore the benefits of this new technology. Even those unaccustomed to using and averse to trying digital texts will include the format in their consideration sets as a result of the juxtaposition of options. To deter and monitor attempts at piracy, MHHE could use a system of access codes and stamp each user’s name with a gray watermark across the page behind the text.

**Chapters:** Since the college users surveyed expressed interest in reading only a few pages of content at a time in electronic format, e-books will be available on a chapter-by-chapter basis to entice users to buy directly from the publisher and increase the usage of digital texts. Though a bundle of chapters may be cheaper than purchasing the whole book, MHHE can price each additional chapter incrementally higher to encourage purchase of the book as a whole. With direct competitor iChapters.com heavily emphasizing its ability to sell texts in chapter increments, this type of purchasing has become a publicly-known option. Failing to offer this method may reflect negatively on MHHE’s image in addition to being a missed opportunity for additional profit.

### **Learning Hub**

Part-social networking site, part-feedback tool, and part-interactive learning solution, this section of Textology will strengthen the notion that MHHE adds value to end users and content providers alike. Not only will this Hub allow MHHE



to forge relationships with its customers, but it will also drive traffic to the site and build a network that will give the publisher more market power over competitors. Its various community features will encourage efficient, easy interaction between students, professors, and teaching assistants. The free-flow of useful, interactive information for students will encourage repeat visits to the site. MHHE as well as professors stand to gain from this feedback mechanism.

The content in The Hub will be free, and new users can have a one-time trial access period, but students need to purchase textbooks from MHHE in order to access this part of the site every semester. Features in this section will include:

**Online Study Groups at Each University:** For classes using e-books, Textology.com would allow students and professors to take notes on a “class” textbook. Professors could highlight parts of the book that are more important than others, and students would be able to show the professor which concepts they find confusing. This visual and instant feedback will help facilitate communication in the classroom as well as maintain a textbook-focus for the website.

**Student-to-Professor Forums at Each University:** MHHE can track purchase behavior and product ratings of students and deliver this information back to professors who may want feedback on the teaching materials. (In fact, one professor that we interviewed conducted his own focus group to determine whether students found the textbook for his class useful.)

**Open Forums across Universities:** Students can comment on message boards grouped according to educational areas. They can give each other study tips and clarify concepts, helping to facilitate an open learning environment. Professors and teaching assistants who use MHHE texts in their classes would have special access or “certified gold status” to the forums and be able to post answers to questions and opinions amid scholarly debates if they so chose. These subject matter experts would thus be able to spread their passion for learning and teaching to a wider network of students.

#### **Other Value-Added Functions**

**Advertising Space:** MHHE can capitalize on its guaranteed access to college students by selling ad space in its portal to companies looking to target this audience. Since Textology has a customer base divided into individual campuses, it further has the ability to sell advertisers perfectly targeted, highly visible ad space. MHHE benefits from the added revenue stream, while students will see offers that are more relevant than the conventional online ad clutter that bombards them daily.

**Cold Hard Cash:** In order to encourage adoption of the site and repeat usage, MHHE should institute a rewards program system where students can earn “Cold Hard Cash” redeemable only through Textology. MHHE can deposit money into new users’ accounts as an incentive for students to sign up for the service. By naming the account system “Cold Hard Cash,” MHHE will emphasize the actual monetary rewards that customers receive. Instead of a virtual point system, which involves the confusing mental conversion between points and actual dollars, MHHE should make it clear that it will reward certain customer behavior, such as participating in the secondary market on Textology.com or recommending users to the site, with actual cash for books. The name is salient for customers and will create meaning for students, since they suffer from rising educational costs in real dollar terms.

**Customer Relationship Management Functions:** MHHE has the opportunity to leverage knowledge of the customer to provide better service and increase customer satisfaction. It must invest in a CRM system and database in order to better track purchasing behavior and background information for each customer (e.g. like major, coursework, e-book usage). It can then tailor specific promotions like discounts and holiday sales to its most valuable customers. If handled in a non-invasive way, these promotions will allow McGraw-Hill to capture more sales and gain more knowledge about customer purchasing habits. Having more information about the customers’ preference and purchase behavior will really give it an advantage against its competitors.

**Printing:** To be a truly value-added service, MHHE should partner with an organization such as Kinko’s. Students who are not comfortable reading the multiple pages of text on their computer screens can order printed e-books (again with their name watermarked diagonally on every page to prevent piracy) for pick-up at various Kinko’s locations. This feature would also encourage professors to use e-books in their classes, since they could recommend customized bundles of content for their students to print in the future. Being “green” is a cause that many people have started to support, and MHHE can promote e-books as an environmentally-friendly option. Kinko’s can print on specially recycled paper. This will attract the backing of universities who have recently made commitments to make their campuses more environmentally-friendly.

## Adoption Stages

Widespread adoption of the site will occur in small increments as students become more familiar with the different features of the portal. The adoption milestones are as follows:

### Stage 1: Capture Users with the Familiar

Stage 1 will allow students to become accustomed to the site interface. Familiar offerings like physical textbooks will be the catalyst to draw students to the other features of the portal and help them to become loyal users.

**Drive awareness through physical books:** It is unreasonable to assume that MHHE will be able to immediately change the top-of-mind choices for all features of the portal: academic resource, textbook marketplace, and social network. Students will likely associate Textology with physical textbooks first since the notation on the logo says “powered by McGraw-Hill.”

**Encourage adoption via the used book market:** Of the three primary sections, The Marketplace will likely be the most attractive to students with its guaranteed buyback and quality proposal. By driving users to the MHHE portal with the secondary market, the portal allows for an easy transition into the primary market or Bookstore where users can buy their course materials direct from MHHE.

### Stage 2: Grow the Network

In Stage 2, the user network will become sizeable as more students join. The online community is crucial so that the other features on the portal can thrive, as students will not use a service that none of their peers frequent.

**Build the community aspect:** Once students become familiar with the site through the purchase of books, they will notice The Hub, which offers more customized features. If students feel like the page is personalized and a source for all their academic needs, they may consider using it as a homepage which will increase traffic to the portal. Encouraging use of interactive learning features (highlighting unfamiliar terms in e-books for professors to read) will also make students more familiar with the format. By hosting interaction among college learning communities, MHHE can gain a stronger foothold in the college segment overall.

**Monetize the community:** The social aspect of the site will be profitable to Textology in two ways. It can utilize its sizeable network to attract and command premium prices from advertisers. The social aspect of the site will also encourage students to spend more time on the site, probably generating more purchases in the process. Once users see how value-added the content is (frequently asked questions), they will look forward to accessing this part of the site— only accessible with a new purchase every semester.

### Stage 3: Become the Ultimate Source for Students

By Stage 3, Textology will achieve its positioning as the innovative "Source for Students," offering more than just textbooks, but truly being on the cutting edge of all forms of learning content.

**Focus more on e-books:** At this stage of adoption, students will have become comfortable with online learning, so they will be more willing to try e-books. The underlying strategy is to stay ahead of the curve and be ready to capture the market when majority of the next generation that demands this new technology will come of age.

## Marketing the Portal

While good features will encourage adoption of the site, McGraw-Hill Higher Education must launch a large-scale branding campaign to raise awareness about the portal and drive traffic to the site. Being media-savvy and accustomed to thousands of marketing messages daily, college students are becoming increasingly averse to conventional marketing efforts and spend less time on traditional forms of media like television and radio. While the campaign will have a national scope, marketing techniques will be primarily at the grassroots level. This way, McGraw-Hill Higher Education can use the existing social networks at each campus to build its online network.

### Goals

- Drive consumer awareness and adoption of MHHE’s e-commerce portal
- Use creative marketing tactics to engage an audience wary of marketing tactics
- Leverage MHHE’s core competencies in customer relationship management for college students across multiple campuses

## Event/Guerilla Marketing

The main target audience for marketing the portal is undergraduate college students. In order to reach them, it is important to have a prominent presence on campus such that the advertising reaches the consumer and does not get lost in the noise that most college students face. Therefore, to drive students to Textology, MHHE should market to students directly on their college campuses. Campus representatives are the best way for MHHE to reach out to students who may not necessarily be the decision makers in textbook purchases. In the in-depth interviews, professors mentioned the service and excellence of the MHHE professional book representatives as a key differentiator of MHHE. Campus representatives are therefore integral to being able to provide on-campus services that compete with the local bookstore. For example, in order to compete with national *and* local resale operations, the campus rep can be responsible for organizing a swap meet. Additionally, campus representatives can run regular promotions and contests throughout the semester that will be integral in reminding people to purchase at Textology.

### Four Phases of On-Campus Events

A four phase plan, characterized by a different series of events with different objectives for each phase, will introduce students to the site, gradually initiate student usage, and eventually instill loyalty. These events will be run by the student representatives at each campus. The first student representatives for the target schools would need to be hired in February or March to prepare for Phase 1. This four phase plan will run throughout the first year of implementation. Afterward, the campus representatives will take over their own marketing campaigns for their respective schools, and will therefore allow MHHE to reach more schools in the future at a low cost.

### Phase 1 – Mad Scientists

**Objective:** The objective of Phase 1 is to improve the brand awareness and name recognition of MHHE. It is important to simply get MHHE’s name into the students’ minds before school gets into full swing so that they will be poised to try the site in later phases.

**Description:** The name Textology brings to mind connotations of school, classes, and more specifically science. In order to make the name resonant in the minds of students, the guerilla marketing tactics of Phase 1 will surround ideas of science and scientists.

**Performing Scientists:** This guerilla marketing event would be located in a high foot traffic area on campus (as chosen by the student rep) and would feature people acting as scientists. The actors would gain students’ attention by performing attention-grabbing experiments, similar to the Mentos and Coke experiment that was popularized in a Youtube.com video in 2006<sup>16</sup>. It would be an unusual thing to see and people would stop to see what was going on. Then they would receive a flyer that says “Want to see how to make \_\_\_\_\_ and \_\_\_\_\_ explode? Visit Textology ---The source for students.” The card should have a specific web address that has an option to watch the video (as discussed below) and go to Textology so the effectiveness of the event can be measured. An added benefit of this tactic is that MHHE can gain the attention of students who may not be in the textbook market with a vague teaser campaign.

**Scientists Viral Video:** To support the guerilla marketing, MHHE should create with a widespread viral video to reach non-targeted schools and build brand awareness even further for targeted schools. The video would be a similar experiment to the performing scientists. It would then be disseminated through YouTube to create buzz and to drive traffic to the website. At the end of the video, a text ad would show up that would say: “Want to see why \_\_\_\_\_ and \_\_\_\_\_ explode? Visit Textology --- The source for students.”

**Time:** April/May – End of Spring Semester (Finals)

**Budget:** \$36,000

**Metrics:** Degree of press coverage attained (e.g. number of times it was mentioned in the press) and number of people who log into the site given on the card.

### Phase 2 – The Textology Tent

**Objective:** The objective of Phase 2 is to raise awareness of the site, initiate product trial, induce first purchases, and drive traffic to the website.

<sup>16</sup> <http://www.youtube.com/watch?v=hKoB0MHVBvM>

**Description:**

**Tour Bus:** For Phase 2, two promotional managers need to be hired in order to take this traveling event around the country to the different target schools. The student representatives will be used to market and help run the events at each target school. The tour bus should have the same type of design as the website with “Textology – The Source for Students” written across the side. It will carry all the necessary equipment to run the tent event. A full schedule for the tour is available in Exhibit M.

**Large Enclosed Tent:** The event will be held in a closed tent that will force people to explore the entire tent in order to participate in all the activities. The tent should not be located near a bookstore as MHHE needs to build a presence away from the bookstore. Inside the tent there will be an activity in each corner as well as in the center to provide information and drive traffic to the portal.

**Computer Display of Textology:** A pillar with four screens will be located in the center of the tent to allow students to see what the portal is and explore its features. It is important that the students do not redeem any promotional items at the event on this computer screen, but rather have them use their home computers so they have more time to look at the website and will think about using it for purchases. This display will be very appealing to the Studious Stu segment since they will be able to find out all about the portal, and even ask questions about the site to the MHHE experts.

**The Wheel of Cold Hard Cash:** This will be located in the right corner far from the door so that people will be enticed to walk into the tent. The Wheel of Cold Hard Cash will be a prize wheel that provides gift certificates toward buying books on the portal. The Wheel should have values from \$5 - \$25 available to win with probable size landings inversely correlated to value. This event is primarily targeted to the Bonnie Cash segment, and will help to induce first-time purchases. The first-time purchase is a high-involvement decision for the Bonnie Cash segment, so giving them a small amount of money toward the purchase greatly reduces their perception of risk of the product. When they purchase their first book on the portal, they will be able to see the features of the site and will therefore be much more likely to purchase from the site or visit it at a later time.

**Brain Food Table:** A brain-shaped table with food will be located in the left corner far from the door to bring people into the tent. This will, again, entice people to explore the tent and will require them to walk by the computer display. Along with the food, each student will be given a coupon, which they will be able to redeem at the website. In this way, there will be a connection between learning (i.e. the site) and food, thus “brain food.” While the food table will be a draw for all segments (students are on tight budgets and love free food), it is particularly useful to bring in the Apathetic Eddie segment since no other aspect of the tent will appeal to them. In this way, the segment will at least be exposed to the site.

**Wave of the Future:** This corner will showcase the various e-readers that are currently available in the market. It will be located in the left corner closest to the door so that students will experiment with the e-readers after they have received the other promotional items. This trial experience will help to familiarize students with these products and may increase early acceptance of e-readers among college students. In this way, MHHE will help to prepare their target market for the introduction of e-books. This sub-event will primarily attract the Convenience Clyde and Bonnie Cash segment, since the survey analysis showed them to be the most tech-savvy.

**Create Your Own “-ology”:** This event will be located in the right corner closest to the door. Students will have an opportunity to create a fun novelty item that they can only redeem on the portal. Possible options could include a picture of the person on the front cover of a book with their own personal “-ology,” such as “Ben’s Guide to Partyology.” This will drive traffic to the website during this time of textbook purchasing. This event will be appealing for all segments.

**Time:** September – Start of Fall Semester/New Student Orientation

**Budget:** \$121,300

**Metrics:** Number of people who attend, degree of press coverage attained, comparisons of average website traffic and sign-ups before and after event, and amount of sales during the buying period.

**Phase 3 – New Year’s Resolution: Drop 10 Pounds Contest**

**Objective:** The objective of Phase 3 will be to reach a second wave of users. By now the site should have a strong base of initial users. MHHE can therefore use the website to reach these early adopters and get them to spread word-of-mouth to their friends. This will promote the community feel to users who have already used it for purchasing books.

**Description:** New Year's Resolution Season is around this time and MHHE should utilize this festive time to promote the site. The Drop 10 Pounds Contest will have students send in pictures of how they can a) lose weight with textbooks (such as using them as dumbbells), b) get rid of their old textbooks in an interesting way, or c) get rid of their textbooks to switch to e-books. The contest will provide the winner with free textbooks for the rest of his life.

Since students will need to go online to submit their pictures, a lot of traffic will be driven toward the site. Other students will also be able to rate the pictures, developing a community feel around the portal. The event will take place at the beginning of the second semester so that students will also be in the market for purchasing books and new users may consider using Textology.

**Time:** January – Start of Spring semester

**Budget:** \$8,500

**Metrics:** Number of people who submit pictures and number of times the pictures are rated to gauge traffic specific to the contest.

#### **Phase 4 – Charitable Event: Textology Gives Back**

**Objective:** The objective of Phase 4 is threefold – To make sure the positioning of the MHHE brand is centered on learning, to reaffirm and reinvigorate the MHHE brand in the mind of students, and to create a community feel to the website.

**Description:** Since MHHE is a publishing company, it can use its core competencies to take part in a charitable event. There are many college students who do not have the means to pay for their own textbooks. MHHE can sponsor an event where students donate their old textbooks, and MHHE will either redistribute these books to needy students, or sell the books and donate the profit to financial aid programs. The program will take place at the end of the semester so that students will have texts to give away. These charitable events will serve to further the community aspect of the portal and also create positive attitudes toward the portal after having done a good deed for the community. To increase donations, MHHE could consider giving a small amount of "Cold Hard Cash" for each donation. In addition, senior students who may not be able to use their "Cold Hard Cash" can also opt to give away their "Cold Hard Cash" to charity.

Phase 4 will occur at a time when students are not purchasing books, so the event revolves more around promoting the website through branding. After this last phase, student representatives will be able to create events based on academic community and textbook purchases throughout the year. By that point, Textology should have some brand equity at the target schools and a similar campaign can be done at more schools if necessary.

**Time:** April/May – End of Spring Semester

**Budget:** \$55,000

**Metrics:** Number of people who donate books, degree of press coverage attained, amount of Cold Hard Cash redeemed.

#### **Student Rep Events**

**Objective:** To utilize student representatives and word-of-mouth to increase brand awareness and drive traffic to the portal.

**Description:** Aside from the four phased plan, student representatives will also be encouraged to run individualized events to promote Textology.com with assistance from MHHE. Since they are the most familiar with their own campuses, it would be up to their discretion to determine how to best reach their fellow classmates.

These are some recommended events for the student representatives to implement on their campus throughout the school year:

**Textology.com Tricycle Transporters:** This event would launch during New Student Orientation for schools. MHHE will have 10 tricycle rickshaws positioned at campus bookstores to carry people after purchasing their textbooks back to their residence/dorms. It would be a free promotional service, and tricycle drivers would give handouts saying “If you think that was easy, try Textology.com for your future textbook needs” in order to further promote Textology.com. The tricycle rickshaws will have a canopy for the passenger that will have the Textology.com logo so it will be visible for all pedestrians. It is important that there will also be signs or announcements to make it clear that the ride on the rickshaw is a free service, as students are sometimes wary of taking things that may have hidden costs.

**Textology.com sponsored study breaks:** Since Textology.com will be an academic source for students, it is important to link the idea of studying with the portal. This is especially helpful during midterms and finals when students may be likely to buy study guides or want to visit the site for clarification of material and customized content for classes at The Hub.

**Textology.com hosted Assassins Game with textbook giveaway prize:** Hosting a campus-wide game of Assassins, where students are assigned a target and participate in “espionage” in order to knock their target out of the game, will increase brand awareness in a fun way. This will help take the brand identity from a typical publisher to a fun interactive portal. Student reps may know popular trends on campus and can use this knowledge to create additional events for students.

In addition to these types of events, student reps are given discretion to use their allotted money to run events to complement the promotions run by MHHE.

**Timing:** Throughout the academic year at the student representative’s discretion.

**Budget:** \$104,000

**Metrics:** Degree of press coverage attained and comparisons of average website traffic and sign-ups before and after event.

## Online Marketing

Since the portal is an online distribution channel, it is important to have an advertising presence online as well as on campus.

### Search Engine Advertising

**Objective:** To drive traffic to the portal when people use search engines for content.

**Description:** When today’s students are faced with an academic problem, they typically turn to the Internet to learn more information (ex. Google or Wikipedia). This is a threat to MHHE because, even though MHHE has more accurate and helpful academic content, the navigational ease of these information aggregators makes them the top-of-mind choice. MHHE should thus leverage the popularity of these sites to drive traffic to its own portal when students are already online.

On a national level with Google, MHHE should pay to be the top sponsored result whenever a search for an academic content is conducted (ex: "speed of light theorem"). Additionally, an ad saying “Confused about \_\_\_\_\_? Check out Textology.com for study guides, TA insights, and FAQs.” With Wikipedia, MHHE should frequently visit academic pages (ex: "theory of relativity") and edit the "external links" section at the bottom with a link to related content from the MHHE portal like diagrams, study guides, sample exams, etc.

On the local level, student reps will be responsible for creating Facebook ads to keep Textology.com fresh in student minds. Facebook.com is one of the most frequented websites by undergraduate students. Ads on Facebook are useful because they are targeted to a specific school, are relatively inexpensive, and are located on an extremely high traffic website. Throughout the semester when a student is confused about subject material, they will be able to see the Facebook ad to remind them that Textology.com has all of the information they need.

**Timing:** Directly after Launch

**Budget:** \$60,000

**Metrics:** Number of hits received from people who used the search engine (e.g. track the source of traffic).

### Textology Website Promotions and Sales

**Objective:** To increase purchases from the portal.

**Description:** In order to make website promotions as efficient as possible, it is necessary to align sales and promotions with college students' academic schedules and popular events. For example:

June/July – Summer Specials Online  
 October – Midterm Study Guide Sale  
 December – Holiday Stocking Stuffers  
 March – March Madness Specials

The student reps can market these promotions to their campuses as they occur. This will help keep the Textology brand name in students' head as well as try to take advantage of alternative buying opportunities after the beginning of the semester. These promotions do not incur any additional costs beyond the lower margins and minor advertising costs.

**Timing:** Throughout the year

**Budget:** \$25,000

**Metrics:** Comparisons of purchases made before and during the sales/promotions.

### Direct Marketing

To clearly convey the message to the different target segments, direct advertising is needed. MHHE can take advantage of their current distribution channels to reach the desired segments.

#### Marketing to Teaching Assistants and Professors

**Objective:** To drive traffic to the value-added non-revenue creating aspects of the portal.

**Description:** MHHE can leverage their relationships with professors, and therefore their teaching assistants to drive traffic to the site for interactive learning and supplementary material as well as building the network and community in The Hub. MHHE already has a strong presence with their sales force and they can educate the teachers about these technologies. Students rely on the recommendations of study material from professors and teaching assistants when dealing with complex material. Therefore, they are gatekeepers to consumption of online resources.

Use of organizational academic resources such as Blackboard is frequently motivated by teaching assistants, who use the portals to conduct discussions online or answer specific content-related questions. With the advancement of technology, there are better and better ways to collaborate online. As the use of these technologies picks up, more teaching assistants will be able to conduct their assistance online, and to a greater number of people than during traditional office hours. Such assistance will be particularly valuable at public and local schools, MHHE's core customers, where larger class sizes require more efficient methods of academic support.

To help drive this new platform of interaction, MHHE should supply teaching assistants focusing specifically on the most popular introductory courses with helpful complimentary teaching materials at our target schools. Currently, the sales force is trying to show the value of supplementary materials but not many professors are actually interested in purchasing these. If some of these services are complimentary through the portal, it should drive traffic from students to The Hub section based on the recommendations of the teaching assistants. As long as the teaching assistants find value in the portal, this tactic will easily pull their students to the portal.

**Timing:** September – Start of Fall Semester

**Budget:** \$40,000

**Metrics:** Number of students who use the complimentary material, amount of content provided by teaching assistants and professors to answer students' questions.

#### Textbook Ad Inserts

**Objective:** To reach skeptical consumers who are very advertising savvy or wary of marketing tactics, and to generate brand awareness at a low cost using MHHE's distribution channels.

**Description:** This is similar to the cards with the registration numbers/CDs already in textbooks. To give students more incentive to purchase their books directly through Textology, MHHE should place a discount code on the ad insert. Similar

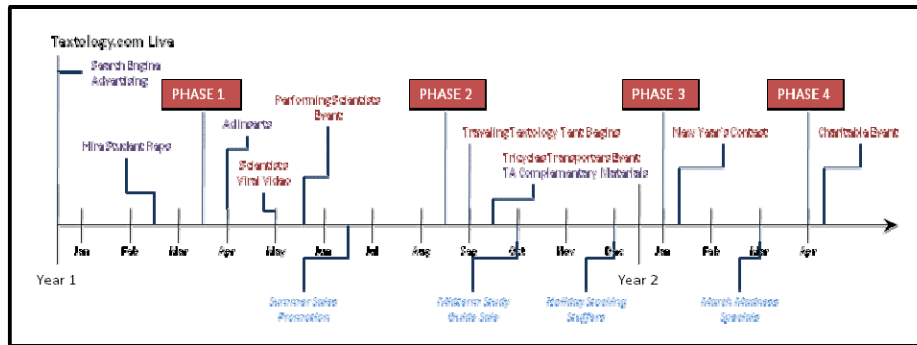
to introductory pricing, this will draw students to use the portal. The card should also have a specific web address that thanks them for using MHHE for their textbook needs before leading them to Textology so that effectiveness can be more easily measured.

**Budget:** \$10,000

**Metrics:** Number of people who log into the site given on the card.

## Timeline

The promotional timeline is outlined for when events and campaigns will have the biggest impact according to the natural buying and selling seasons of an academic year.



## Strategic Partnerships and Promotions

The target market of college students is already familiar with many brands and it would be beneficial to building brand equity if McGraw-Hill Higher Education could partner with some popular brands that are related to college students and textbooks.

**Vault.com or BusinessWeek:** Given that college students are also in the market for jobs, a partnership with a career source would add value to the portal and drive traffic. Depending on the level of this partnership, MHHE could consider sharing information on both websites or simply providing discounts or incentives when you buy at one location for the other. BusinessWeek would lend itself to this type of promotion since it is a McGraw-Hill sister company.

**Campusfood:** MHHE should try to incorporate a very integral part of college students' daily lives by working with a food delivery company. There is significant traffic on these websites daily and Campusfood.com in particular has many internal promotions such as "My Cash" and "My Coupons," similar to the recommendations earlier specified for Textology's "Cold Hard Cash." Marketing through this partnership would drive traffic to the portal.

**Ask.com or Fact Generator:** Textology.com is to be the "source for students" and it would increase brand equity if when students searched questions online, there was a special section for answers that Textology.com could provide. It would also be a good partnership for implementing online marketing campaigns in the future.

**Student Advantage:** A partnership with Student Advantage would increase direct sales from the portal if students know that they can get discounts using the Student Advantage card. Retailers partnered with Student Advantage serve specific needs to students and MHHE can fill the need for textbooks. This partnership also has CRM benefits, which were mentioned in the previous section.



## IX. Financial Analysis

The following budget for the tactical implementation of Textology during phase one of the IMC is based on assumptions of revenue generation outlined further in the appendices and on estimations using real-world rates. For more on the potential growth streams that Textology provides, see Exhibit N.

<b>Textology Marketing Campaign</b>	
<b>Labor</b>	<b>\$ 100,000</b>
<b>Hub</b>	<b>\$ 25,000</b>
<b>Mad Scientists</b>	<b>\$ 36,000</b>
<b>The Textology Tent</b>	<b>\$ 121,300</b>
<b>New Year's Resolution Contest</b>	<b>\$ 8,500</b>
<b>Charitable Event</b>	<b>\$ 55,000</b>
<b>Student Rep Events</b>	<b>\$ 104,000</b>
<b>Online Marketing</b>	<b>\$ 25,000</b>
<b>Direct Marketing</b>	<b>\$ 50,000</b>
<b>Advertising from sponsors</b>	<b>\$ (75,000)</b>
<b>TOTAL COST</b>	<b>\$ 449,800</b>

With a launch of Textology in year zero, anticipated revenue increases are based on the margin points gained in a direct-to-consumer relationship and the growth in share provided by a more student-centric offering. Using the on campus marketing campaigns as a user base and expanding it through word of mouth, we forecast the expected revenue streams from Textology.com based on the website hits and initial conversion purchase rate. See Exhibit N for more information about the anticipated growth of Textology.

## X. Conclusion & Future Outlook


Despite the plan outlined above, McGraw-Hill Higher Education faces several future challenges to the adoption of its e-commerce portal. Since students already use multiple social networking sites, personal banking, and other sites that require log-ins, they may not want to register for yet another one. To overcome this hurdle, MHHE must prove that Textology provides real value.

Additionally, though the portal will have an extensive selection of McGraw-Hill books, other publishers may begin to offer their own portals and fragment the market further. Instead of logging into multiple publisher sites, students may then demand a consolidated site that will sell books from all these publishers. Professors may also want custom materials from different publishers. If the publishers do not want to relinquish control and power to a neutral third party, McGraw-Hill Higher Education may want to explore joint ventures with other publishers for universal platform in the future. As such, it should not damage relationships with its competitors, as they can be potential collaborators in the future.

The potential of Textology is tremendous as the demand for technological learning experiences grows more and more with every incoming class of freshmen. By adopting the recommended stage-wise implementation of the Textology portal, McGraw-Hill Higher Education will effectively leave room for it to grow into its role as a technology channel while also allowing for immediate implementation of the portal's design and initial functions. The flexibility of Textology is what truly allows it to be a part of helping students reach their potential.

## Appendix

### Exhibit A: SWOT Analysis

	<p style="text-align: center;"><b>POSITIVE</b></p>	<p style="text-align: center;"><b>NEGATIVE</b></p>
<p style="writing-mode: vertical-rl; transform: rotate(180deg);"><b>INTERNAL</b></p>	<p style="text-align: center;"><b>STRENGTHS</b></p> <ul style="list-style-type: none"> <li>■ Brand equity</li> <li>■ Customized content</li> <li>■ Existing relationships with professors</li> <li>■ Market power</li> </ul>	<p style="text-align: center;"><b>WEAKNESSES</b></p> <ul style="list-style-type: none"> <li>■ Commoditized product</li> <li>■ Intermediary status</li> </ul>
<p style="writing-mode: vertical-rl; transform: rotate(180deg);"><b>EXTERNAL</b></p>	<p style="text-align: center;"><b>OPPORTUNITIES</b></p> <ul style="list-style-type: none"> <li>■ Growing demand for higher education</li> <li>■ Attractiveness of the student market</li> <li>■ Expanding adoption among the younger generation</li> <li>■ Lack of clear leadership in the emerging digital market</li> </ul>	<p style="text-align: center;"><b>THREATS</b></p> <ul style="list-style-type: none"> <li>■ Backlash against publishers</li> <li>■ Secondary market for textbooks</li> <li>■ Slow adoption by gatekeepers</li> <li>■ Piracy</li> </ul>

### Exhibit B. The Traditional Textbook Publishing Industry Analysis

Michael Porter's model of the five forces that determine the competitive dynamics in an industry was used to analyze the traditional area of higher education publishing. The model evaluates the factors that determine the competitive intensity of a market based on relationships between buyers, sellers and competitors. It is these factors that affect the firm's ability to serve its customers and turn a profit.



#### Competitive Rivalry within the Industry -- High

- *Number of competitors:* Few but powerful competitors demonstrate intense competitor concentration.
- *Exit barriers:* Fixed costs are high, making exit from the industry difficult. This makes competitive rivalry for the firms already in the industry extremely fierce.

#### Threat of Substitute Products — Moderate

- *Demand elasticity:* Demand is inelastic. Since professors assign the required readings for the class, students don't have the option of switching to alternatives in response to price increases.

- *Substitute Availability:* Currently, perceived substitutes to buying new textbooks include buying second-hand books from classmates, buying second-hand books from online sellers, or using a library copy, all of which bring no revenue to MHHE. Though priced at a discount, these substitutes are either inconvenient to use or difficult to find.

### Threat of New Entrants – Low

- *Level of competition:* Little to no room exists in the market for another large textbook publisher because of intense competition, so the threat of new entrants is relatively low.
- *Cost Requirements:* The large capital requirements needed to enter the industry, the high economies of scale, and steep proprietary learning curve deter new entrants greatly.

### The Bargaining Power of Customers – Low to Moderate

- *Student bargaining power:* Because students are not concentrated and do not have many substitutes for each particular book assigned, they have little to no bargaining power.
- *Professor bargaining power:* Professors who teach classes at large universities can affect the sales of particular textbooks positively or negatively. However, professors have switching costs since a change in a publisher or a text means they have to revamp their lecture materials, giving them only moderate power.

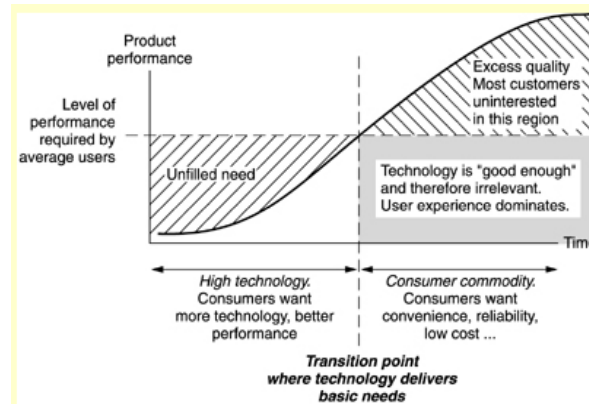
### The Bargaining Power of Suppliers—Moderate

- *Substitute inputs:* Since other professors pay great attention to authors when picking their textbooks, publishing houses cannot easily substitute the input of particularly well-known authors (the suppliers). These respected authors have a large amount of bargaining power. Well-known publishers still have a degree of leverage over these authors due to their branding, which adds credibility to the author's published work.
- *Supplier concentration:* Royalties for textbook authors are dealt with on a case-by-case basis, deterring suppliers from gaining collective bargaining power.
- *Forward integration:* More and more authors (mostly professors) are publishing their material online or in photocopied packets for their respective schools. Currently, this threat of forward integration is extremely small since authors still benefit from the brand name, editing capabilities, access to distribution channels, and promotional reach of these publishers.

### Summary of the Traditional Textbook Publishing Industry

Since the threat of new entrants is low, while supplier and customer bargaining power is moderate, the textbook publishing industry is only attractive to firms that are already well established, or have significant resources to become well-established. However, with the increased internal rivalry and growing threat of substitutes, the current firms must focus on innovation and differentiation in order to sustain growth within a fairly mature market.

## Exhibit C: Consumer Technology Adoption



The above graph shows the development of technology adoption compared to the level of consumer demands. Though e-books are available on the market, most college students currently only require a “good enough” level of textbook technology (i.e. regular books). Professors will probably use digitized texts only if students feel comfortable with them.

MHHE should still stay ahead of the technological curve and offer e-books, though, because future generations will be more willing to adopt the e-book technology. Even slow-adopting professors will pay attention to what these students demand. Strategically, MHHE should present itself as the firm that helped bring the technology into the mainstream.

For more information, see C. M. Christensen, *The Innovator's Dilemma: When New Technologies Cause Great Firms to Fail* (Cambridge, MA: Harvard UP, 1997) and D.A. Norman, *The Invisible Computer* (Cambridge, MA: MIT Press, 1997).

## Exhibit D: Competitive Analysis

	Atomic Dog (Thomson)	iChapters (Thomson)	Student-owned intermediary sites	Study.net	Textbook Revolution	Textology.com
Sell used books			✓			✓
Sell new books		✓	✓			✓
Course site				✓		
Sell e-books	✓	✓				✓
Administrator access section	✓			✓		✓
Student learning section	✓			✓		✓
Student interaction section	✓					✓
Printable versions of text	✓	✓		✓	✓	
Single chapter purchase		✓				✓
Multimedia extras	✓					✓
Free/open-source content				✓	✓	

## Exhibit E: College Survey

### Demographics

1. **Age:** Enter age
2. **Gender:** Male, Female
3. **Name of Educational Institution:** Enter name of education institution
4. **Is this a public or private school?** Public, Private
5. **What type of calendar system does your school use?** Semester, Quarter/Trimester, Other
6. **What is the size of your incoming class?** Under 500, 500-3000, 3001-6000, 6000 or more
7. **What is your current class year?** First Year, Second Year, Third Year, Fourth Year, Fifth Year or higher, Graduate Student
8. **What is your primary field of study?** Business, Liberal Arts, Sciences, Engineering, Nursing, Medical, Law, Fine Arts
9. **What is your GPA? (please convert to a 4.0-point scale):** 3.7 or above, 3.3 to 3.69, 2.7 to 3.29, 2.3 to 2.69, 2.29 or below, Prefer not to answer
10. **How much of your cost of education are you and your family responsible for?** None, Less than 25%, 25-50%, 50-75%, More than 75%, All
11. **How much of your textbook costs are you personally responsible for?** None, Less than 25%, 25-50%, 50-75%, More than 75%, All

### Technology Preferences

1. **Do you have your own internet-enabled computer at school?** Yes – desktop, Yes – laptop, No
2. **What site is set as your homepage?** Google, Yahoo/MSN/AOL, Facebook/MySpace, YouTube, Blogging site, News site, School-related site, Default browser site, Other site (please specify)
3. **How many blogging or social networking sites have you logged-into in the last three months?** 0, 1, 2, 3, 4, 5+
4. **How often do you frequent these sites?:** Multiple times a day, Once a day, A few times a week, Once a week, Less than once a week, Never
5. **Which of the following services do you use during the course of an average week? Please check all that apply:** Email, Chat, Networking Sites, News, Weather, Shopping, Music, Job Search, School-related, Research, Personal Banking

### Purchasing Preferences

1. **How many classes are you currently enrolled in?** 1-2, 3-4, 5-6, 7 or more
2. **How often do you purchase class-required textbooks?** Always, Usually, Rarely, Never
3. **If you choose not to buy a required textbook, which of the following alternatives do you use? Please check all that apply:** Share or borrow book from friend, Check out text from library, Photocopy text, Other (please specify)
4. **How often do you purchase class-recommended textbooks? :** Always, Usually, Rarely, Never
5. **Do you prefer to buy new or used textbooks?** New books, Used books, Does not matter
6. **If you buy used textbooks, where do you buy them from?** Friends, School bookstores, Online sources, Non-school affiliated bookstores, Other source (please specify)
7. **Where do you purchase your textbooks? Please check all that apply:** Direct from publisher, School bookstore, Other students, Online sources, Other source (please specify)
8. **If you have purchased textbooks online, which sites have you purchased books from? Please check all that apply:** Amazon.com, Half.com, eBay.com, Facebook.com, BarnesAndNobles.com, Publisher's website, Other website (please specify)
9. **What features of the sites did you like? Please check all that apply:** Ease of use, Bestseller lists, Personalized recommendations, Prices, Selection, Ease of payment, Product reviews, Other like (please specify)
10. **What about the sites did you dislike? Please check all that apply.:** Limited selection, Unable to preview book, Confusing to use, Lack of information (edition, etc), Difficulty with checkout, Security concerns, Nothing, Other dislike (please specify)
11. **How important are the following factors in deciding whether or not to purchase a textbook?:** Score the following factors (Required for class, Helpful but not required, Future reference, Reviews or opinions, Ease of resale, Condition, Price, Edition, Accessibility) on a scale (0 – Not Applicable, 1 – Unimportant, to 5 – Very Important)
12. **Have you purchased any of the following? Please check all that apply:** Used books, Old Editions, International Editions
13. **What is the average amount you spend on textbooks each course period?** \$0-150, \$151-300, \$301-450, \$450+

**14. Who do you feel is primarily at fault for inflated textbook prices?** Professors, Publishers, Bookstores, Other (please specify)

### Textbook Habits

- 1. Do you bring your textbooks to class?** Yes, No
- 2. Do you mark your textbooks?** Yes – with highlighters, pen, etc., Yes – but non-permanently with Post-its, etc., No
- 3. Have you ever used any of the supplemental materials included with textbooks (CD's, study guides, online companion sites, etc)?** Yes – it was required for class, Yes – because I found it helpful, No
- 4. How would you rate the overall frequency of the usage of online tools (course websites, etc.) in your classes?:** Never – not available at my school, Never – professors don't use it, Rarely, Sometimes, Frequently, Always – I found it to be helpful, Always – professors required it
- 5. What do you do with your textbooks after completing your courses? Please check all that apply:** Keep, Sell back to school bookstore, Sell back to other on-campus bookstore, Sell online, Sell to friends, Give away, Throw away
- 6. If you sell your books directly to others, how do you find them? Please check all that apply:** Newspaper ads, Campus postings, Friends, Website

### Study Habits

- 1. On average, how many hours do you spend studying or doing classwork per week?:** 1-5 hours, 6-10 hours, 11-15 hours, 16-20 hours, more than 20 hours
- 2. When studying, do you seek out materials outside of course recommended materials?** Yes, No
- 3. If yes, where do you find these materials? Please check all that apply.:** Professor's materials (slides, etc), Library, Publisher's website, Published study guides for course, Search engines, Wikipedia or other open-content sites, Tutoring sites, Other source (please specify)
- 4. How useful do you find the supplementary materials posted by the publishers on their websites?** Very useful, Somewhat useful, Not that useful, Not useful at all, I've never checked the publisher's online supplementary material
- 5. Do you read supplementary material recommended by professors?** Always, Usually, Sometimes, Never

### Textbook Alternatives

- 1. Have you ever purchased an e-book/e-text?** Yes, No – but I've heard of them, No – I'm not familiar with them
- 2. Which of the following things do you read on computers? Please check all that apply.:** I try not to read things on the computer, Local news, World news, Short articles, Blogs, Research articles, Books, Class-required readings, Other (please specify)
- 3. Do you find it difficult to read long passages of text on a computer screen? Please explain:** Yes, No; with explanation
- 4. Would you read textbooks online, if they were available?** Yes, No
- 5. How important is it to you to have a physical book when reading?** Very Important, Somewhat Important, Of Little Importance, Of No Importance
- 6. Would you consider purchasing an electronic form of your textbook if it were less expensive?** Yes, No
- 7. How tech savvy would you consider yourself?** Score yourself on a scale (0 – not very to 5 – extremely)

### Thanks

**1. Thanks for taking the time to fill out our survey -- we really appreciate it. If you would like to be entered into a drawing for a \$50 Amazon.com gift certificate, please enter your e-mail here. Your answers will be kept confidential and your e-mail will not be used for any other purposes:** Enter email address

## Exhibit F: Professor Survey

### Demographics

- 1. What is your age?** Enter age
- 2. How many years have you spent teaching?** Enter number of years
- 2. What educational institution do you primarily teach at?** Enter name of institution
- 3. Is this a public or private school?** Public, Private
- 3. What subject do you primarily teach?** Enter subject

**4. What is your average class size?** Enter class size

**5. How many distinct courses did you teach this semester?** Enter number or courses

### Textbook

**6. What is your perception of the text offerings from the following publishers?** Score the following four publishers (McGraw-Hill, Houghton-Mifflin, Pearson, Thomson) on a scale (No experience with this publisher, Very Limited, Adequate, Good, Outstanding)

**7. What is your perception of the expertise/strength of the representatives from the following publishers?** Score the following four publishers (McGraw-Hill, Houghton-Mifflin, Pearson, Thomson) on a scale (No experience with this publisher, Incompetent, Adequate, Good, Outstanding)

**8. Have you been presented with supplementary materials/add-ons offered by the various publishers?** Yes, No

**9. If so, what was your reaction?** Unimpressed, Somewhat impressed, Rather impressed, Blown away

**10. Did you decide to implement any of the materials?:** Yes, No – needed time to incorporate into present curriculum, No – felt students wouldn't use, No – unfamiliar with use/capabilities, No – felt it would help, No – Other concern (please specify)

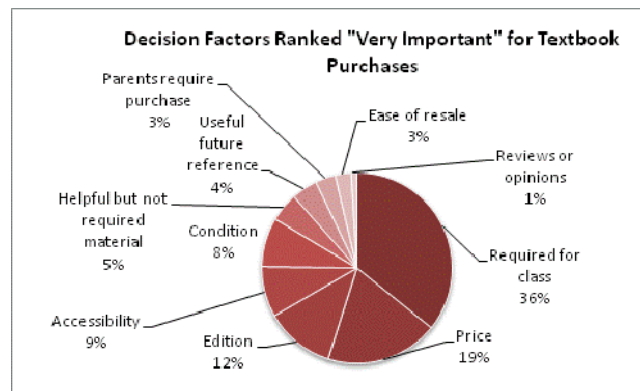
**11. How do you feel about custom publications (creating custom texts by compiling selected materials from other texts)?** Strongly oppose, Oppose, Neutral, Favor, Strongly Favor

**12. How much do student preferences impact your purchasing decisions (incorporation of online content, cost implications, etc.)?** Not at all, Somewhat, It is a large consideration, It determines ordering decisions

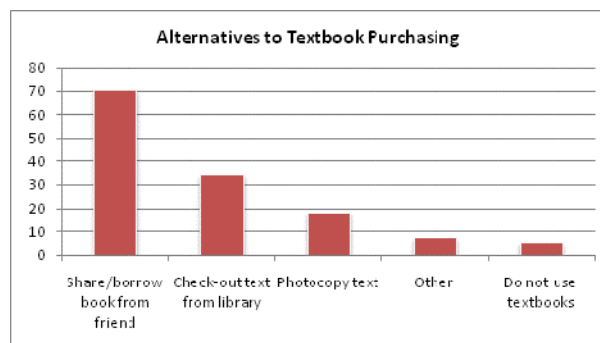
**13. Do you currently use e-books/e-text for any of your courses? Why or why not?:** Yes – ease of use, Yes – cost savings, Yes – other reason, No – unfamiliar with technology, No – would need to restructure curriculum, No – felt students would not like, No – felt it would harm student's education, No – other reason

## Exhibit G: Highlights from the College Students Survey

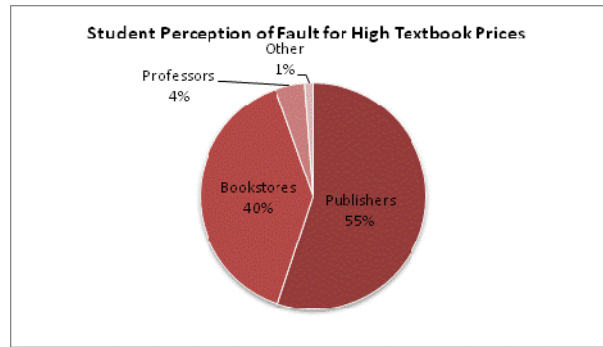
The following graph indicates factors in that students deemed "very important" for textbook purchasing:



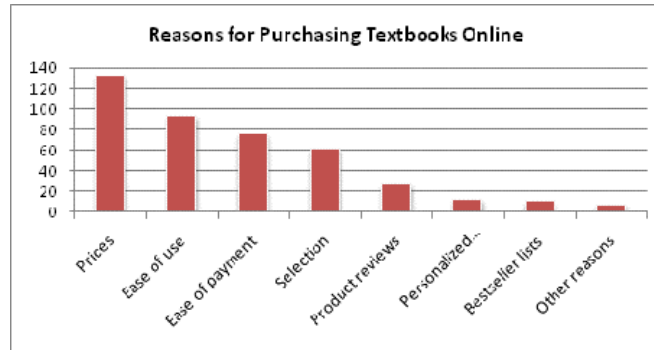
When choosing not to purchase textbooks, students focused on the following alternatives:



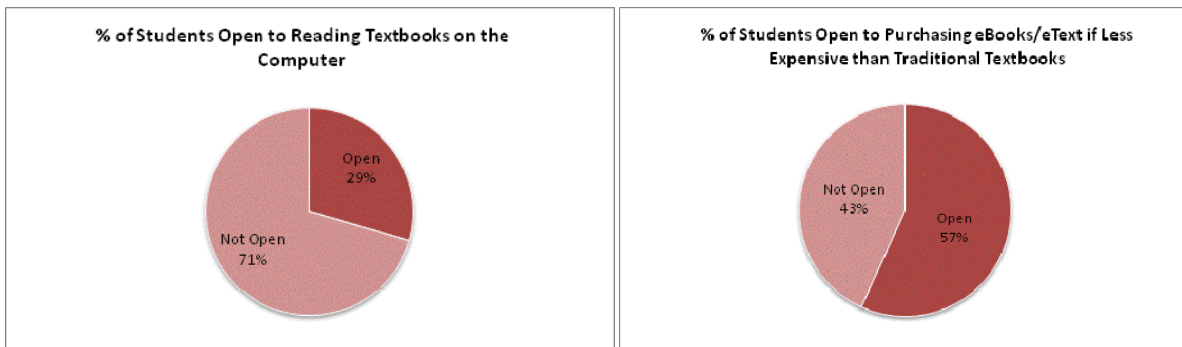
The blame for high textbook prices was largely placed on the publishers:



Price and Ease of Use were the dominant responses for reasons to purchase textbooks online:



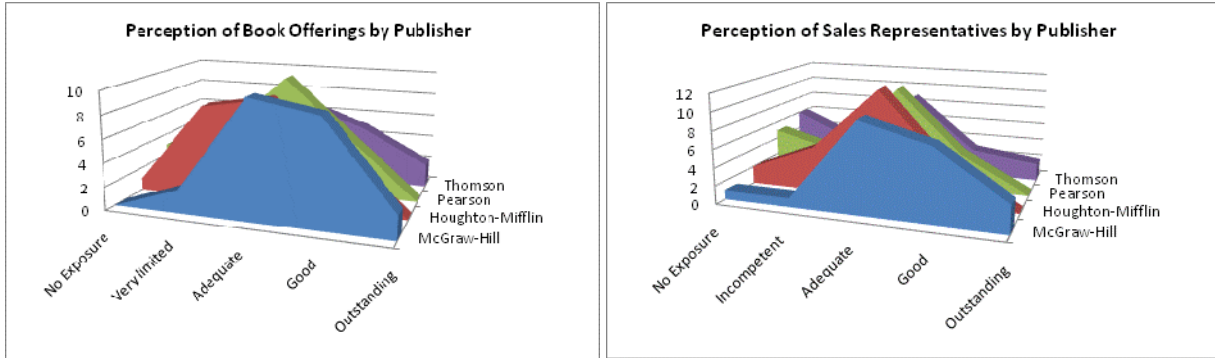
As far as the development of new e-book technologies, students were not very open to the idea of reading texts online, but were more willing to consider it if the prices were lower, indicating that MHHE should pass on any savings from digital production to the consumer.



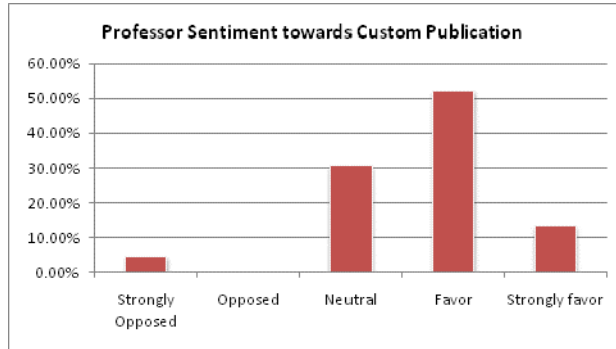


## Exhibit H: Highlights from the Professors Survey

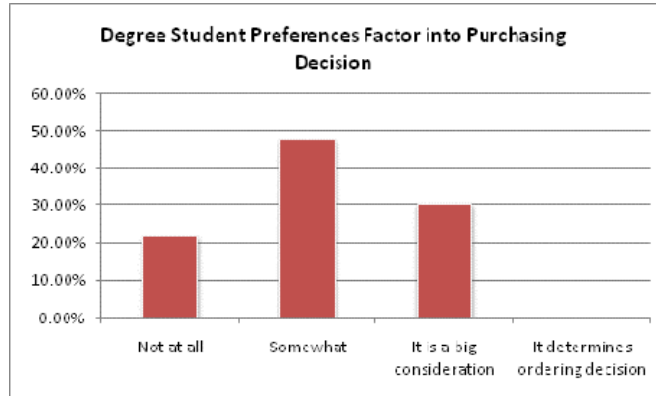
One of the strongest findings from the professor survey was the comparative strength of the MHHE offering and sales force:



Another strong result from surveying professors was their generally positive view of custom publication.



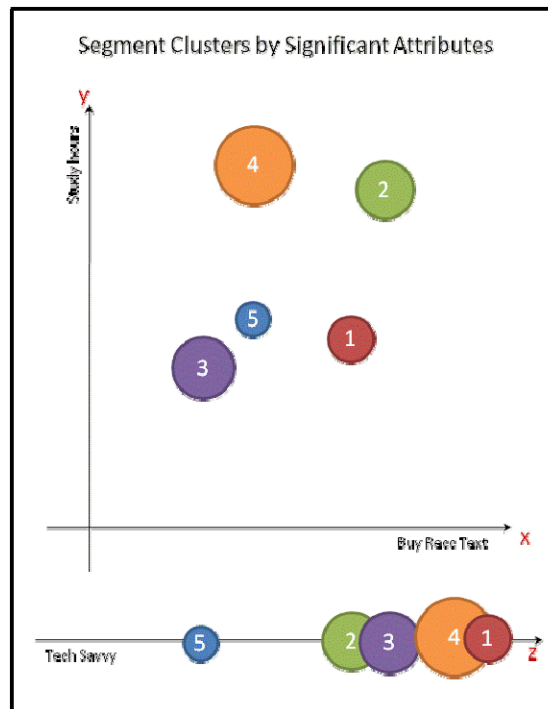
Professors were also somewhat willing to consider student preferences when choosing a textbook, though it does not seem to be a dominant concern.



## Exhibit I. Segmentation Process

To segment the survey results and find consumer target groups, a series of clustering techniques such as hierarchical clustering, k-means, and discriminate analysis was employed. The data were first coded from character into either binary or ordinal data for further analysis. A correlation matrix on the full dataset revealed that factors including *hours spent studying per week*, *frequency of purchasing required text*, *frequency of purchasing recommended text*, *preference of purchasing new or used text*, and *respondents' self-perceived technical fluency*.

Using these variables, a hierarchical clustering analysis was then run to get a basic feel of the number of segments. By looking at the scree plot as well as the resulting significance of each variable, it was then decided that the variables of *frequency of purchasing required text* and *preference of new or used text* were not important and removed from the analysis. To affirm these results, a discriminant analysis was run on all of the variables. As the graph below shows, the three variables of *study hours per week*, *frequency of purchasing recommended text* and *self-perceived technical fluency* were indeed the three factors with the most influence. At this point, a k-means clustering analysis was run on the remaining three variables, the results of which are shown in the graph below.



Cluster	Segment	Count	Weekly Study Hours	Buy Recommended Books	Tech Savvy
1	Bonnie Cash	27	2.22	3.15	5.15
2	Studious Stu	34	4.03	3.53	3.85
3	Apathetic Eddie	36	1.92	1.42	4.25
4	Convenience Clyde	46	4.33	2.07	5.04
5	Status Quo Joe	20	2.55	2.05	2.00

**Exhibit J: Segmentation**

SEGMENT	STUDIOUS STU	CONVENIENCE CLYDE	BONNIE CASH	APATHETIC EDDIE	STATUS QUO JOE
<b>SIZE</b>	21%	28%	17%	22%	12%
<b>RANK</b>	Primary	Secondary	Tertiary	Non-priority	Non-priority
<b>BEHAVIOR &amp; ATTITUDES</b>					
<b>CLASS YEAR</b>	All years	All years	All years Likely to be an upperclassman	Likely to be an upperclassman	Likely to be a freshman
<b>PURCHASE DRIVER</b>	Learning Excelling in school	Convenience	Cost	Requirement	Requirement Convenience
<b>BUDGET FOR TEXTBOOKS</b>	High	Flexible	Low	Flexible	Flexible
<b>USAGE HABITS</b>	Sees textbooks as an investment for the future Keeps them as reference materials after class is over	Wants books delivered, portable, and easy to use	Uses books only for duration of the course Sells books immediately after use	Will only use books if professor assigns them, if will use them significantly, or if can't find a way around it	Will use books assigned by professor that are available at the campus bookstore Sells books back to bookstore at the end of the year
<b>TACTICS</b>					
<b>PORTAL FEATURE</b>	Study guides Professor Interaction	E-books Easy delivery	Secondary marketplace	Secondary marketplace	None

## Exhibit K: The 5 C's of Marketing Strategy for MHHE

<b>Company</b>	<ul style="list-style-type: none"> <li>• <b>McGraw-Hill Higher Education</b> - The publisher should leverage its strengths (brand equity, customized content, relationships with professors, and market power) to grow its share of the market.</li> </ul>
<b>Customers</b>	<ul style="list-style-type: none"> <li>• <b>Students (Consumers/End users)</b> - The variation in their study needs is depicted in Part V, Consumer Segmentation. Student needs are evolving as upcoming generations become more technologically-savvy.</li> <li>• <b>Professors (Gatekeepers/Recommenders)</b> - Some professors need textbooks from which they can assign readings to complement their lectures, while others need publisher-provided full slide decks and sample tests since they do not have time to make their own. Professors are usually slow adopters of technology.</li> </ul>
<b>Competition</b>	<ul style="list-style-type: none"> <li>• <b>Other large publishing houses</b> - Houghton Mifflin, Pearson Education, and Thomson Education Direct are some of MHHE's competitors in the higher education publishing industry. They compete on points like access to distribution channels, quality of authors and texts, and quality of sales representatives.</li> <li>• <b>Other online retail sites</b> - If MHHE launches an e-portal, it will compete with sites such as Amazon.com and Half.com. These third party sites only have the ability to sell books, whereas MHHE, with its extensive information database, has the resources to offer consumers other value-added content.</li> </ul>
<b>Collaborators</b>	<ul style="list-style-type: none"> <li>• <b>Other large publishing houses</b> - Moving forward, MHHE may want to pursue joint ventures with these companies to provide a universal distribution platform for books.</li> </ul>
<b>Channel</b>	<ul style="list-style-type: none"> <li>• <b>Bookstores</b> - MHHE textbooks have traditionally been sold through bookstores. If it enters the online space, it will now be competing with the physical and online versions of these bookstores.</li> <li>• <b>Internet</b> - Textology will allow MHHE to enter the online distribution space to deliver electronic information and physical products to the end customer in an innovative new manner.</li> </ul>

## Exhibit L: The Four P's of Marketing Tactics for the E-Portal

<b>Product</b>	<ul style="list-style-type: none"> <li>• <b>Textology.com</b> - This e-commerce portal will allow students to buy textbooks, e-books, and supplemental materials; sell and buy used MHHE books; and interact with professors and other students.</li> </ul>
<b>Pricing</b>	<ul style="list-style-type: none"> <li>• <b>Lower than bookstores</b> - Consumers expect cheaper prices when purchasing directly from the manufacturer, so MHHE should offer lower price points for its products than these distributors do.</li> <li>• <b>At par with other online retailers</b> - MHHE should price comparably, but not lower than Half.com or local student-run used book websites. A cost leadership strategy will be difficult to implement as MHHE does not have the competencies needed to accomplish it. Textology's value proposition differs from these sites, since it guarantees quality products for its consumers.</li> </ul>
<b>Place</b>	<ul style="list-style-type: none"> <li>• <b>Anywhere</b> - Users can access the portal wherever they have Internet access, whether that be in their home or the classroom. Offering its services through the website results in a huge decrease in overhead costs (as compared to running a brick-and-mortar store) and a larger increase in accessibility. The URL of the website, <a href="http://www.textology.com">www.textology.com</a>, is currently available for sale.</li> </ul>
<b>Promotion</b>	<ul style="list-style-type: none"> <li>• <b>Students</b> - The bulk of the Textology promotions will target students to initiate a pull strategy (student demand will drive professor usage). As discussed in the IMC, on-campus events at large universities and colleges and strategic partnerships will be the most efficient use of the \$450,000 budget since they will reach the largest amount of students in the most memorable way.</li> <li>• <b>Professors</b> - Promotions will be run primarily through the current MHHE sales representatives, and will revolve around positive word-of-mouth and personal demonstrations. As with student promotions, the aim will be to drive revenues in the short-run while building brand equity in the long run.</li> </ul>

## Exhibit M: Campus Tour



<i>School Name</i>	<i>Undergraduate Population</i>	<i>Number of Colleges in the Same City (Spillover Potential)</i>	<i>Affiliation with National Book Retailer</i>	<i>Date of Textology Tent Event</i>
Arizona State University (ASU)	41,256	13	N	Aug 10 <sup>th</sup>
Boston University (BU)	18,694	46	Y	Aug 31 <sup>st</sup>
New York University (NYU)	20,965	144	N	Sept 2 <sup>nd</sup>
Ohio State University (OSU)	38,479	23	Y	Sept 16 <sup>th</sup>
Pennsylvania State University – University Park (PSU)	34,637	1	Y	Aug 25 <sup>th</sup>
University of California – Los Angeles (UCLA)	24,811	106	N	Sept 22 <sup>nd</sup>
University of Colorado – Boulder (CU)	25,842	13	Y	Aug 23 <sup>rd</sup>
University of Florida (UF)	35,110	4	N	Aug 14 <sup>th</sup>
University of Michigan – Ann Arbor (UMich)	25,555	6	Y	Aug 29 <sup>th</sup>
University of Texas – Austin (UT)	37,037	28	N	Aug 27 <sup>th</sup>
<b>TOTAL POTENTIAL REACH</b>	<b>302,386 students</b>	<b>384 schools</b>		<b>6-Week Tour</b>

## Exhibit N: Financial Information

Below is an expanded budget for the Phase One implementation of the Integrated Marketing Communications Campaign.

Textology Marketing Campaign			
	Quantity	Price	
<b>Labor</b>			<b>\$ 100,000</b>
Campus Reps	100 Reps	\$500/semester	\$ 100,000
<b>Hub</b>			<b>\$ 25,000</b>
Site Maintenance	200 hrs	\$50/hr	\$ 10,000
CRM Tracking Software			\$ 10,000
SG&A			\$ 5,000
<b>Mad Scientists</b>	5 days	10 campuses	<b>\$ 36,000</b>
Performing Scientists	500 Reps	\$60/day	\$ 30,000
Scientists Viral Video			\$ 1,000
SG&A			\$ 5,000
<b>The Textology Tent</b>	6 weeks	10 campuses	<b>\$ 121,300</b>
Tour Bus	1 bus	\$3000/week	\$ 18,000
Promo Managers	2 managers	\$800/week	\$ 9,600
Large Closed Tent	1 tent	\$6000/tent	\$ 6,000
Computer Display	4 displays	\$800/monitor	\$ 3,200
Salary	5 tent workers	\$600/week	\$ 18,000
Wheel of Cold Hard Cash	10 campuses	\$1500/campus	\$ 15,000
Brain Food Table	10 campuses	\$1000/campus	\$ 10,000
Wave of the Future	5 eReaders	\$300/eReader	\$ 1,500
Setup Costs	10 campuses	\$1000/campus	\$ 10,000
Travel Costs (Fuel, Maintenance)	10 campuses	\$1000/campus	\$ 10,000
SG&A			\$ 20,000
<b>New Year's Resolution Contest</b>			<b>\$ 8,500</b>
Site maintenance	100 hrs	\$50/hr	\$ 5,000
Prize			\$ 1,000
SG&A			\$ 2,500
<b>Charitable Event</b>	10 campuses		<b>\$ 55,000</b>
Cold Hard Cash for Donations	500/donations	\$10/donation	\$ 50,000
SG&A			\$ 5,000
<b>Student Rep Events</b>	7 days	10 campuses	<b>\$ 104,000</b>
Promotional Tricycles	10 tricycles	\$20/day	\$ 14,000
Tricycler Salary	10 tricyclers	\$100/day	\$ 70,000
Campus Specific Events	10 campuses	\$1000/campus	\$ 10,000
SG&A			\$ 10,000
<b>Online Marketing</b>			<b>\$ 25,000</b>
Search Engine Marketing			\$ 50,000
Facebook Advertising	100 days	\$100/day	\$ 10,000
Website promotions			\$ 25,000
<b>Direct Marketing</b>	10 campuses		<b>\$ 50,000</b>
Complementary Material	20 courses	\$200/course	\$ 40,000
Ad inserts	10,000,000 ads	\$0.0010/ad	\$ 10,000
<b>Advertising from sponsors</b>			<b>\$ (75,000)</b>
textology.com ads			\$ (50,000)
chapter ads			\$ (25,000)
<b>TOTAL COST</b>			<b>\$ 449,800</b>

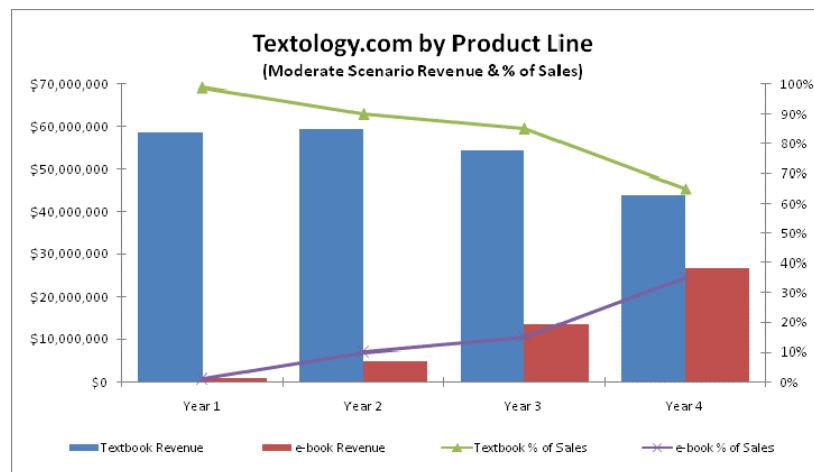
The value per campaign in terms of website hits corresponding to each event and revenue generated is based on the following assumptions:

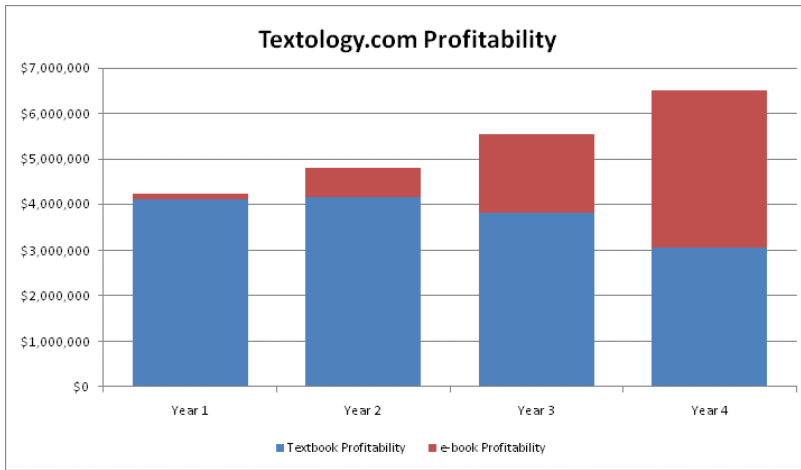
Event	Mad Scientists	Textology Tent	New Year's Contest
Cumulative Campus Sizes (10 campuses)	302,000	302,000	302,000
Attendance %	10%	20%	10%
Attendance	30,200	60,400	30,200
Comprehension %	40%	80%	100%
Comprehension	12,080	48,320	30,200
Website Hits %	15%	50%	100%
Hits	1,812	24,160	30,200
Initial Conversion (10%, 6%, 4%, 3%)	5.75%	5.75%	5.75%
Conversion	104	1,389	1,737
Average Textbook	\$400	\$400	\$400
Textbook Revenue	\$41,676	\$555,680	\$694,600
Textbook Profit %	7%	7%	7%
<b>Event Profitability</b>	<b>\$2,917</b>	<b>\$38,898</b>	<b>\$48,622</b>

The volatility in predicting event profitability is mainly driven through percentage of attendance, initial conversion rate, and overall textbook profitability. Specifically, textbook profitability is forecasted as publisher's income after tax estimated by the National Association of College Stores. Given that the cost structure is not influenced by distribution costs at the college store level, textbook profitability can possibly be expected at 29.4% textbook profit, but the lower estimate is used for a baseline perspective. Volatility in each of these drivers can have a strong impact on overall event profitability.

In the low usage scenario, we anticipate user hits driven primarily through the marketing campaign and 10 pilot campuses. Moderate and high usage scenarios are driven from increased website hits through word of mouth, continued purchases, and continued promotions on campuses.

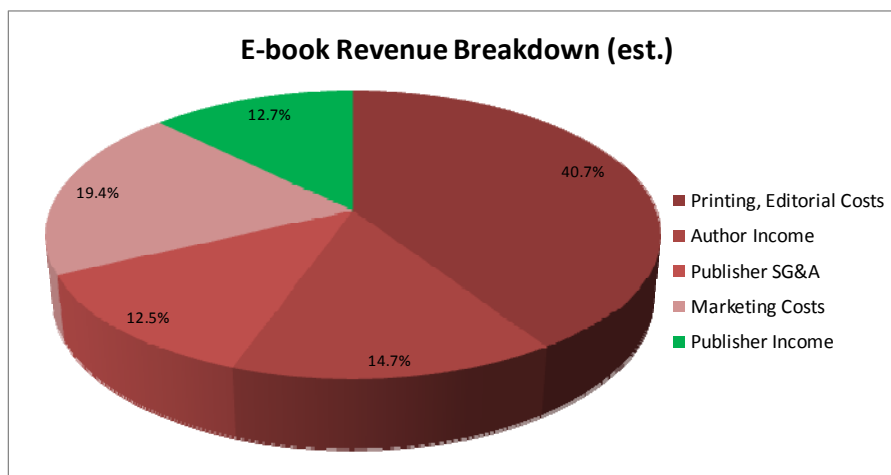
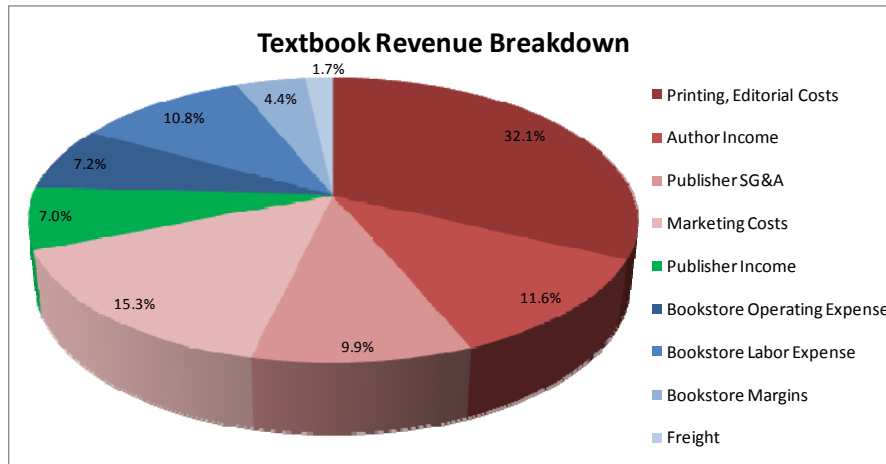
Focusing on the moderate scenario for usage of Textology.com, we can estimate the revenue generated by each product line assuming a textbook average purchase of \$400 and an e-book average purchase of \$300 given different pricing. Additionally, analyzing research on technology adoption rates for undergraduate students from the Educause Center for Applied Research, we can forecast the expected purchase rates for each product line.





Profitability generated through Textology.com is sourced from the revenue streams per product line assuming textbook margins of 7% and e-book margins of 12.7%. Given approximately 24.1% of textbook costs driven from college store operating expenses along with a lower cost offered for e-books, the margins for e-books are forecasted at 10%.

The margins in current textbook production and the forecast of margin improvements based on switching to e-book productions are as follows:



For current margins, see "Where the Textbook Dollar Goes." National Association of College Stores. September 2007. <<http://www.nacs.org>>.