The Future of Educational Publishing Industry: Exploration Based on Existing Business Models

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Abstract: *To explore how the educational publishing industry is responding to the global digital trend, this paper analyses the changing business models of three of the world's leading educational publishers, including Pearson, McGraw Hill, and Houghton Mifflin Harcourt, and finds that they have all chosen to adopt a reader-centric business model. Faced with the trend towards digital technology, educational publishers have the potential to become competitive employers with their vast book resources and partnership opportunities. However, educational publishers are equally exposed to cross-industry competition, adaptive challenges, and cyber-hacking.*

Keywords: *Educational publishing industry; Business model; Digitalization*

1. Introduction

The emergence of new technologies in the digital age has driven the development of the education publishing industry. In recent years, educational institutions have begun to use various electronic textbooks and digital education services. The epidemic will impact more than 90% enrolled learners in 2020.[1] As a result, digital education platforms and electronic textbooks have gradually become necessities in the education industry. In order to cope with the impact of digitization on educational publishing, educational publishers have established new business models to promote the marketing of digital services.[2] This article will introduce the background of digital services in the education industry and analyze the impact of these new digital services on the business models of educational publishers. Then, the article will analyze the possibilities and pitfalls of the education publishing industry in the future.

For 600 years, publishers have continued to bring products to the market and build relationships between readers and books. Although in the past four decades, e-books, websites, digital platforms, and a large number of interactive materials have been welcomed by readers and customers, they have not occupied the dominant position in the market. However, since 2015, e-books and online digital service provisions have been gradually used in schools and websites. The drawbacks of the traditional printing industry are one of the reasons why digital services are popular.

The traditional education publishing industry has very high limitations, and he requires publishers to bear higher investment risks. In addition, due to low demand, rising input costs, and a lot of waste of resources in the production process, the price of textbooks has risen sharply.[3] Some books have even risen to prices that students cannot afford. Gradually, most physical books began to be provided in electronic form, which could be read repeatedly through mobile phones, tablets or readers. The content is mostly provided in the form of a simple PDF. But the content of these e-books maintains a high standard, which are professional and carefully crafted to meet the needs of the course.

In 2020, COVID-19 has affected educational institutions all over the world. At the peak of the global epidemic, Covid-19 caused school closures in 190 countries/regions, affecting 90% of students, or nearly 1.6 billion people worldwide.[1] As a result, educational institutions cannot perform their teaching functions. However, educational publishers' long-term investment in digital service provisions has paid off. Observers commented that the pandemic has advanced digital learning in public education by ten years.[4] The revenue of Pearson's global online learning division increased by 32% in the third quarter of 2020, and the company achieved strong growth in digital and subscription services in its U.S. courseware unit. At the same time, McGraw Hill reported that its overall digital bill for the second quarter

of fiscal 2021 increased by double digits.

At present, in some developed countries, almost all educational content is provided through online educational platforms, simple electronic textbooks (PDF or EPUB files), platform-based advanced interactive digital textbooks, and complex learning management systems. These digital educational service provisions are the second product of educational publishing after the e-books in the digital age. These digital service provisions have a variety of functions, such as reading e-books, attending online courses, and student management.

These new digital service provisions have transformed the way readers or students receive information.[5] At the same time, digitalization has changed the role of publishers and affected the old business model.[2] In the following paragraphs, I will first analyze the definition of the business model, and then some classical cases will be introduced the impact of digitalization on the business model of the education publishing industry.

2. Business model

Business model is a way for a company to clarify logic and provide data and other evidence, which shows the company how to creates and delivers value to customers.[6] The business model should be built on the product with a reasonable plan to market and make profits. An effective business model is important because it defines how and to what extent a company can create and obtain value.[7]

According to Teece's definition, there are four types of business models relevant to contemporary book publishing, which included Bricks and mortar, Clicks and mortar, Collaborative, and Freemium.[6] The Bricks and mortar mainly refers to the traditional book publishing model, including the distribution and sale of physical books through warehouses and bookstores. The effect of the combination of digital technology and e-commerce is called Clicks and mortar. The multiple collaborative activities that book publishers engage in belong to the third business model, which involves business partners, subcontractors, other publishers, and consumers. Freemium is currently widely used on the Internet. It means that publishers provide part of the content for free and provide higher-level services for those who are willing to pay.

Pearson was founded in 1844 and has more than 90 years of publishing experience. But it was initially a construction company. In 1921, Pearson purchased some local daily and weekly newspapers in the U.K. and formed the Westminster Press group. Pearson acquired National Computer Systems (NCS) in September 2000, thus entering the educational assessment and school management systems market in the U.S.. The company's business has spanned multiple industries until Pearson announced in 2015 that it would focus on "education". In 2019, Pearson took the first step to eliminate printed books, setting all of its learning resources to "digital first". Currently, in order to change the focus, Pearson divided approximately 22,000 employees into five new departments, which are supported by the Direct to Consumer Group. This change helped Pearson focus on three areas: the rise of online and digital learning; address the gap in workforce skills; and help companies gain recognition and certification of workers. Pearson owns the online private school Pearson Online Academy and a number of different online digital service platforms. Apps for higher education included Learning Catalytics, Pearson eText, MyLab & Mastering and Revel. The company created a series of online courses in MyLab & Mastering and Revel. The online purchase price of MyLab & Mastering is US$126.65. It is an online homework, tutorial, and evaluation platform. Pearson Online provides tuition fees of US$2500-4000 per semester to students. In addition, on September 15, 2011, Pearson acquired Connections Education for more than $400 million. Connections Academy is a tuition-free online public school. As an online public school, it is funded by taxpayers like other public schools and meets the state's educational standards. In 2019 six new Connections Academy schools opened.

McGraw Hill was founded in 1888 when James H. McGraw, the company's co-founder, purchased the American Railway Equipment Magazine. In 1986, the company acquired The Economy Company, which was the largest publisher of educational materials in the United States at the time. After the acquisition, McGraw Hill became the largest educational publisher in the United States. The company provides customized educational content, software and services for preschool to graduate education. Its trade publications and references involved many different industries, including medical, business, and engineering. McGraw Hill currently has branches, trading teams or employees in 28 countries and regions. The company has more than 5,000 employees worldwide, and the products they create are used in more than 135 countries. These products can cover more than 60 languages. At present, McGraw Hill Education generates revenue through the sale of physical and digital learning resources, education

platform subscriptions and hybrid learning solutions. The company has four main parts of products. The first one is McGraw Hill Education School, which built for tailor-made services for K-12 learners and adult education. Then, the second is McGraw-Hill Education Higher Education, which creates products and services for university students. McGraw-Hill Education Professional is the third one, which focuses on graduate and professional learners. And the last one is McGraw-Hill Education International, which provides products for learners outside the U.S.. Users can subscribe their plateforms and buy e-textbooks or physical resources with a one-time payment. McGraw Hill has established multiple apps for educators and students, including ReadAnywhere, McGraw-Hill Connect, ALEKS and McGraw Hill ebook. Their subscription fee is determined by the number of subscribers and the length of the subscription. McGraw-Hill Connect provides e-books and courses with prices ranging from US$80 to US$155. The e-textbooks or online courses will be available for 6 months to 2 years. After the service ends, users need to buy them again.

Houghton Mifflin Harcourt is a learning technology company, founded in 1832, and entered educational publishing in the 1890s. By 1921, the company was the fourth-largest educational publisher in the United States. At present, the company serves more than 50 million students and 3 million educators in 150 countries. Its publications include children's books, fiction, non-fiction and bibliography. As teachers and students turn to virtual learning during the pandemic in 2020, Houghton Mifflin Harcourt's digital platform has attracted a large number of users. In October 2020, Houghton Mifflin Harcourt announced a strategic reorganization to accelerate its digital transformation. This decision further simplified operations and better enable Houghton Mifflin Harcourt to support teachers and students with the digital-first interconnected platforms, which can build remote, face-to-face, and blended learning environments. In 2020, the company's software increased by 142%, surpassing the 300% increase in the use of digital teaching platforms. Now Houghton Mifflin Harcourt sells physical books and e-books on its website and Amazon platform. In 2020, Houghton Mifflin Harcourt built three online products and services, including GROWTH MEASURE, FAMILY ROOM and HMH ANYWHERE. HMH ANYWHERE is a digital service platform, which meet the demand for online courses during the fall in 2020 and can be used in any region or country. Currently, HMH ANYWHERE charges an annual fee of $50 per student, but it provides free services to some teachers.

At present, all three publishers have shifted their focus to digital service provisions due to the impact of digitalization. They have provided corresponding business models for different services and products, which called reader-centric business model. Meanwhile, they are also applying a combination of all business models, that is: Bricks and mortar, Clicks and mortar, Collaborative, and Freemium models. And the traditional "brick and mortar" model already lost its dominant role. It will expose them to greater challenges. On the one hand, the widespread use of digital platforms has changed the role of publishers.[5] In traditional business models, the intermediary played by booksellers is often ignored by the market. However, in the digital platform, the intermediary role is canceled, and the publishers directly communicate with customers. This requires publishers to enhance their market research capabilities, accurately locate target customers and promote their products.[5] On the other hand, most of the producers of digital educational platforms are EdTech companies, which have more practical experience in the Internet industry than traditional education publishing companies. The digital services they provide cover almost all aspects of education, and due to the epidemic, a large number of EdTech firms founded.

3. Possibilities

Under the high-intensity competition, business models will play a key role influencing educational publishing in the future, which will lead to some possibilities and pitfalls.[5] In the following paragraphs, I will analyze what possibilities the new digital services and business models will bring to the educational publishing industry, which will help educational publishers survive in the competition.

First, the rich educational resources of publishers will help them stay in a superior position in the educational market. At present, a large number of EdTech companies, universities, and comprehensive companies are building digital education platforms, which will put pressure on educational publishers. However, most publishing companies own a large number of textbooks and other educational resources. They can republish these textbooks in e-books and provide on their digital platforms, which can attract attentions of customers. Conversely, a well-known and popular digital service platform can also drive the sales of print books and e-books.[5] This is also a benefit that other educational technology companies cannot obtain.

Second, publishing companies will get more possibilities for cooperation.[8] The digital platform

provided by most publishing companies requires the support of Internet companies and technology companies, which will bring cooperation or mergers between companies in different industries.[8] In addition, companies that have established competitive relationships can also build partnership, such as educational publishers and EdTech companies. Oxford University Press believes that this partnership between publishers and EdTech companies can enhance the learning experience of students. Because they can combine their knowledge and expertise, which iincluded creative content and effective digital solutions to distribute.

Third, Publishers can become competitive employers. This will help them attract and retain engineers and other digital experts, because they currently prefer well-known technology companies or exciting EdTech companies rather than working in traditional publishing companies. New business models and digital platforms are appropriate tools, they can bring an attractive working environment and vitality.

Finally, the reader-centric business model will bring good user stickiness.[9] Like the business model used by most Internet companies, business models such as subscription or paywall will increase audience loyalty. Readers will become dependent on the digital platform during the long subscription process.[9] Therefore, most users will choose to continue to purchase on the same digital platform.

4. Traps

Digitization is a double-edged sword for the educational publishing. In addition to the possibilities, the education publishing industry will also face some traps, which may prove devastating damage to the companies or publishers.

First, cross-industry competition is not conducive to the development of small companies. Publishing companies affected by digitization will establish competitive relationships with comprehensive e-commerce companies such as educational technology companies and Amazon in the future. For publishing companies with a large amount of teaching resources, this kind of competition will not bring a devastating blow. But for small publishing companies, without technical and financial support, and lack of teaching resources, it is difficult for them to win in this competitive relationship.

Second, the new business model requires the strong adaptability of educational publishers.[10] In fact, even without the effect of educational technology companies, the experience of educational publishing houses cannot ensure success in the market. It is undeniable that many mature publishers have provided both online and offline services, and benefit from their complementarity. However, the digital revolution has completely changed market competition, and experienced publishers are also unable to adapt quickly.[10] Therefore, the adaptability of the company is the key factor for the success of educational publishing houses in digital reform.

Third, paper books will not die out soon. At present, most educational publishers are turning to digital services on a large scale, but print books still have a fixed customer base. Research shows that digital publishing companies that have both print activities and mass media platforms will have a higher probability of surviving in the market.[10] Meanwhile, although most publishers are actively participating in the construction of digital services, most of them just sell old products on new platforms.[5] And due to insufficient funds, some publishing houses have stopped printing and switched to digital services.

Finally, the attack of network hackers. The new business model will bring high income to educational publishers, but they also have to face the drawbacks of these business models. Internet hackers or criminals will steal website information and illegally sell website accounts or electronic educational material codes. These will threaten the business of publishers.

5. Conclusion

In conclusion, technological development and the epidemic have increased users' demand for digital educational services. This has led to an influx of digital products into the market. Educational publishers have also shifted their focus from print books to digital services provisions. This change had an impact on the original business model of publishers. New business models are gradually appearing on digital service platforms, but their emergence also brings new possibilities and pitfalls for publishers.

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