1.1: College Textbook Revolution

The traditional textbook publishing model no longer serves the interests of students, educators, and authors. Textbooks are too expensive for students and too inflexible for instructors. And authors, the major, initial source of value in the industry, are increasingly confused by faster revision demands and their compensation for those revisions. Flat World addresses all these industry pain points.

Jeff Shelstad

In 2007, two textbook publishing industry veterans, Jeff Shelstad and Eric Frank, started a privately held company, to be a new and disruptive model for the college textbook market. Traditional business textbook publishers carry a portfolio of 5 to 10 titles per subject and charge premium prices for new textbooks, an average of $1,000 in textbooks for a college student's first year, according to a recent General Accounting Office (GAO) report. FWK's strategy aims to turn the traditional model on its head by providing online textbook access free to students. FWK earns revenues by selling students the digital textbooks in alternate formats, print and audio initially, and also by selling highly efficient and mobile study aids. Despite the fact that professors have rated the academic quality of FWK textbooks as equal to or higher than that of textbooks from traditional publishers, the cost to students is a fraction of current market prices due to the efficiencies of the FWK business model. Moreover, with FWK's platform, instructors who adopt FWK books for their classes are able to pick and choose the material provided to their students, even if it is from earlier versions of textbooks that have since been revised.

Shelstad and Frank previously served as the editorial director and the marketing director, respectively, at Prentice Hall, a major U.S. publisher of educational materials and a division of Pearson PLC. They resigned from Prentice Hall in January 2007 with plans to start a higher education publishing business together. During the first several months, they met with many students, professors, authors, advisors, and potential angel investors. Shelstad became the CEO; Frank was the chief marketing officer. They also added David Wiley as the chief openness officer.

Asked why he started FWK, Shelstad said, "I was convinced the college textbook publishing industry model was broken." He added, "When more and more students are running from your core product, you have a problem. For example, many leading business school textbooks sell in the college bookstore or on various Internet sites for $150 or more. Students by and large don't see that value. So they search frantically for substitutes, and the Internet has made the availability and pricing of substitutes very obvious." In its first term (fall of 2009), FWK had 40,000 students using its textbooks. This steadily continued to rise as faculty discovered the low-priced alternative that combined quality and affordability for their students. As of January 2013, FWK has published more than 100 books, with faculty customers at more than 2000 institutions in 44 countries. As a result, more than 600,000 students have benefited from affordable textbook choices that lower costs, increase access, and personalize learning.

Media attention regarding the fledgling FWK was generally very favorable. Social media experts also gave the company accolades. For example, Chris Anderson devoted a page to the FWK business model in his bestselling book "Free: The Future of a Radical Price." Moreover, early user reviews of the product were also very positive. For instance, an instructor who adopted an early FWK text, Principles of Management, noted, "I highly recommend this book as a primary textbook for…business majors. The overall context is quite appropriate and the search capability within the context is useful. I have been quite impressed [with] how they have highlighted the key areas." At the same time, opportunities to improve the Web interface still existed, with the same reviewer noting, "The navigation could be a bit more user friendly, however." FWK uses user input like this to better adjust the strategy and delivery of its model. This type of feedback led the FWK design squad to improve its custom Web interface, so that instructors can more easily change the book.

Further changes occurred in late 2012, when the company announced it would no longer offer free online access to its textbooks. Moving from "free to fair" (the entry point for students is now $19.95) was a difficult but necessary decision. On its website, the company explained:

> *"As the transition to digital has changed student buying trends, the free format has become a barrier to our long-term growth and ability to offer a fair and affordable model that works for all our customers, from individual students and instructors to our institutional partners."*

In December 2012, the company announced the appointment of Christopher Etesse as CEO. Etesse is a former senior executive and Chief Technology Officer with Blackboard Inc. Shelstad will remain with the company in a strategic role as Founder.

Only time will tell if the $30 million invested in FWK by 2012 will result in the establishment of a new titan in textbook publishing or will be an entrepreneurial miss.

Based on information from United States Government Accountability Office. (2005, July). *College textbooks: Enhanced offering appear to drive recent price increases* (GAO-05-806). Retrieved April 22, 2010, from http://www.gao.gov/cgi-bin/getrpt?GAO-05-806; Community College Open Textbook Collaborative. (2009). Business reviews. Retrieved April 22, 2010, from www.collegeopentextbooks.org/.../business.html; Personal interviews with Jeff Shelstad and Eric Frank.

Discussion Questions

1. Which competitive advantages do open textbooks seem to possess?
2. Which learning styles might be most effective for individuals in entrepreneurial firms? Explain your answer.
3. How might the extensive textbook industry experience that open textbook founders possess help or hinder the company's ultimate success or failure?
4. If you were one of the founders, how would you prioritize how you spent your time in the first weeks on the job after getting the venture capital funding?