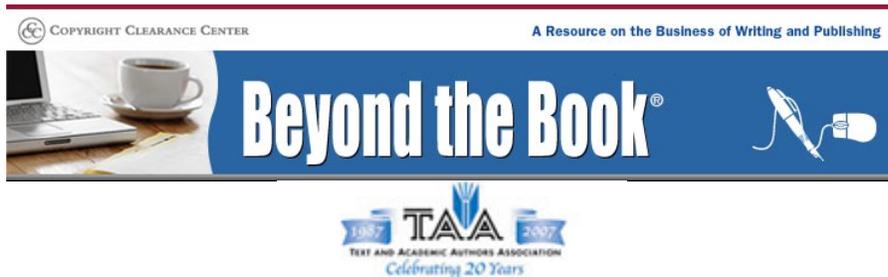


M: Welcome to a podcast of Beyond the Book, a presentation of the not-for-profit Copyright Clearance Center. Copyright Clearance Center is the world's largest provider of copyright compliance solutions through a wide range of innovative licensing services and comprehensive educational programs for authors, publishers, and their audiences, in academia, business, and research institutions. For more information about Beyond the Book and Copyright Clearance Center, please go to www.beyondthebook.com.

This podcast was recorded at the 2009 Text and Academic Authors Association (TAA) Conference in San Antonio, Texas. TAA is the only nonprofit membership association dedicated solely to assisting textbook and academic authors. TAA's overall mission is to enhance the quality of textbooks and other academic materials, such as journal articles, monographs and scholarly books, in all fields and disciplines, by providing its textbook and academic author members with educational and networking opportunities. For more information about TAA, visit <http://www.TAAonline.net>

WILKOFSKY: My name is Roth Wilkofsky. I'm the President – I have to look back on this PowerPoint to see – but I'm the President of Pearson Arts and Sciences, English, Communication, and Political Science Group. I've also worked pretty much across the entire spectrum of soft side publishing, humanities and social sciences, over my career. I just want to say at the outset that I am very pleased to have this opportunity today to speak to you, and to also, I hope, to interact with many of you. Over the years, over the years of my college publishing career, I think that if I look back on it, the high points, so many of them have to do with my work with authors. I can't think of anything that's more fulfilling than working with an author, crafting a textbook. In terms of crafting a textbook for the market, I like doing it at the introductory level. And you see a book go out there, and if it does really well, it's really gratifying, but also even at the more advanced levels, I find it a very gratifying experience. So I just wanted to say that to kick off my remarks.

In terms of preparing for this panel today about Textbook 2.0, I started talking to a group of my colleagues about, well, what do you think of when you think of Textbook 2.0? What does it bring to mind for you? I called up a bunch of editorial and marketing colleagues and just sort of polled people. And the answers I got back were more media, less text; fewer pages, more clicks; briefer and cheaper, shorter chapters and more of them, modular content on line, subscription model, Kindle, the future of the text is about protecting intellectual property. But the answer that resonated with me most – I think it's probably because it's directly related to my editorial background – is one I'm going to state in the form of a



question here. And that is, how do we, publishers and authors, create better books and multimedia irrespective of how we deliver them, be it through a printed and bound book, loose leaf book, online, Kindle, whatever the form of delivery, how do we actually do a better job with our books and our multimedia?

And I chose to examine this question through the lens of five attributes that I think are desirable for a textbook. And they're attributes, I think, of – when I think about these, I think the more we have of these, the better. The more we have of them, the better. And the five are accessibility, engagement, flexibility, effectiveness, and convenience. And I want to consider these attributes primarily from the perspective of our student audience, but with a nod toward adopters. And the reason I'm going to do this – I want to go this way – is because I think this emphasis on students reflects what's happening within the publishing industry now, because publishers – for the longest time, publishers have been very – you all know this very well – are very adopter-centric. I think now there's an increasing awareness within the publishing industry – I certainly feel it at Pearson – of students. We are aware of students as consumers much more, that students make their own choices. They're going to make choices about their books, so we really have to be thinking about them in publishing our books. And of course, that in turn affects your relationship with your publisher, how your publisher is thinking.

So I want to start with accessibility. Accessibility. Recently I was at an author meeting with Anne Wysocki.

WILKOFFSKY: OK. I was meeting with Anne Wysocki. She is the author of *The DK Handbook*, which is a book that I publish. DK – anybody know what DK stands for, what it's short for? OK, it's not Donkey Kong or Don't Know. (laughter) It is Dorling Kindersley. They're a reference book publisher. They do illustrated reference books. You know them. You've seen them their books. Like the Eyewitness Guides, for example. They do travel books. DK does children's books. DK is owned by Pearson, as is my operation, so we're able to do collaborative ventures together.

So at a meeting with Anne, she was talking about her motivation for doing *The DK Handbook*, and she said that one of the main events motivating her was that she had something called textbook suck day in her class. She teaches at Wisconsin – was at that point teaching at a Wisconsin technical college. She's moved since to the University of Wisconsin at Milwaukee. And she asked students to bring in the textbook that they disliked the most. And she got in first place a thermodynamics textbook, and in second place an English handbook. And what these two books had in common was a sea of words. Students felt absolutely overwhelmed by

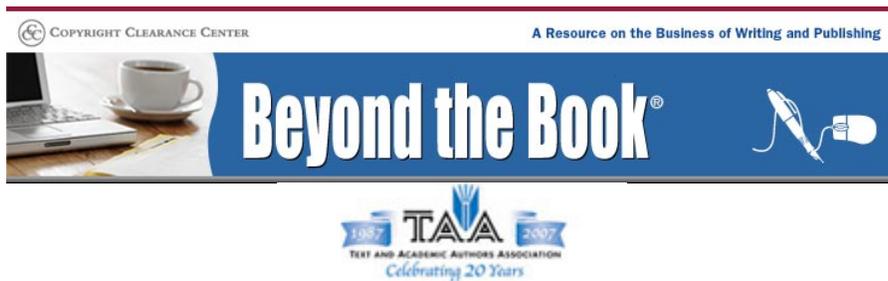


them. So Anne used a tool that is gaining widespread acceptance within the publishing industry – it's a verbal tool that I'm sure you're all aware of at this point – in order to make her book more accessible. And that tool is chunking, making her paragraphs down into smaller units, having strong topic sentences, not – so the students, when they are reading, don't get bogged down in long and complex paragraphs. And of course, those paragraphs are interspersed with a very good design and layout, so the book is easy to follow and be oriented in.

I think some people might argue that this sort of trend – and it is a trend toward chunking – is a form of dumbing down. I personally don't think so at all, especially if the paragraphs are well-structured, if the writing is tight, I think it's absolutely the way to go. I think that we should be seeing a lot more of it in the future. And I know that at Pearson, and I assume elsewhere within the industry, there are tools being developed in-house for use by production and editorial and authors that will enable authors to monitor their length as they're writing their chapters, or their sections, or their paragraphs. And also, for those of you who are inclined, to get involved in layout and design as well, which I see as a pretty significant advance in the industry.

Engagement. I think the first time I became aware that a textbook could strive to be engaging was when I first encountered Machlis' *The Enjoyment of Music*, which is a book published by Norton. It was published, I believe, in the 1960s. I didn't go and check Google to find out for sure when the first edition came out. But I became aware of it when I was a sales rep and selling music appreciation textbooks, and I had to sell against Machlis, which was a very formidable competitor. And what Machlis did differently than any other book on the market was, every other music appreciation textbook, when it gets to the music history part of the presentation, goes to medieval music first, and Machlis did romantic music first instead, because Machlis saw – realized – that students are much more likely to get into the late 18th – late 19th century music than they are to be able to relate to medieval music. And I think, in a way, the kind of Machlis – what Machlis did is, in a sense, a forerunner of the textbook vignette movement. Vignettes became enormously popular in textbooks, especially – I can speak for the soft side. I can't speak for the hard side of the business, but I imagine in some areas they're also there. But they became enormously important. And I think their popularity – what it suggests is how much good writing counts, how much clear and lively writing, how much good examples count, how much humor counts, if you can work humor into a manuscript.

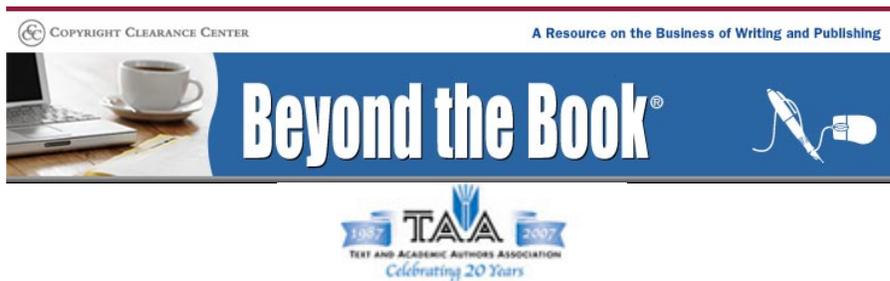
When I think about engagement, though, another thing I also think about is interactivity. And interactivity leads me briefly to the subject of technology,



because technology offers so many opportunities for interactivity. In my own work, I tend to think of the courses and the areas in which I publish, I divide them into two broad types. I think about skills courses and content courses. For the most part English, and to a lesser extent, but still I'd put it in this category, communication would fall under the sort of skill side of that divide, political science more on the content side. So I'm thinking in terms of skills courses and content courses.

When it comes to skills courses, I think the uses of technology are very evident, when you think about the number of exercises and problems that you can work with, remediation, study plans. You can get students very involved in active learning in skills courses. We do this in developmental English. We've started to do that over the last several years. It's more complicated, though, with the content courses. It becomes more complicated. There you can still have quizzes, and tests, and study plans, and remediation, and so on and so forth, but the question is, how do you make the core learning experience more interactive for students? I have a colleague on the sciences who has a model I like, very simple, three word model. It's read, interact, assess, read, interact, assess. Can you find a way to follow that pattern, read, interact, assess? In biology, for example – I'm terrible. If I mess this up, please forgive me, because I'm not good in biology whatsoever, but I just thought about this because it seems to make a lot of sense to me. If you read about photosynthesis, and then you're able to interact online and manipulate light levels and see what the impact of that is, that teaches you something about photosynthesis that you're not going to get from reading a book. I would have given you an art example. I have a good art example, but it'll take me about 10 minutes to get through the whole thing, so that's one of the reasons I sort of steered away from the soft side.

But I can see the application of this. For example, in political science, which is one of the areas I have, one of the so-called content areas, in, for example, trying to teach students how a bill becomes law in a political science textbook, which is a fairly complex thing to explain verbally. But there's a lot of stuff that you can do online there. So there's research around now. Some of you may have encountered it in *The Chronicle of Higher Ed*. I think it was reported on about how students can learn better if they read a textbook once, close it, and then say aloud what they've just read, versus having the book open and reading and rereading it. And I think that this sort of read and interact, assess model is similar to reading, shutting the book, and talking aloud, because by talking aloud, you're engaging with the material.

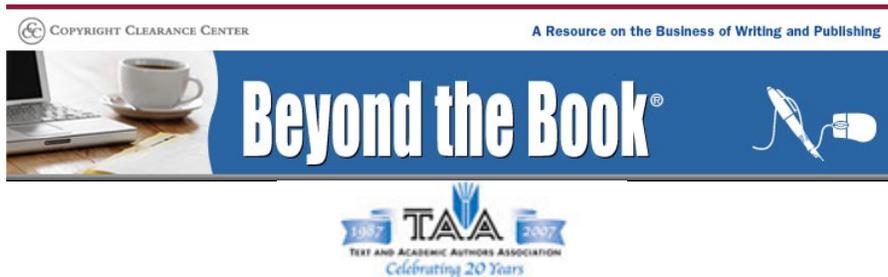


Flexibility. Flexibility, my first thought about it is, we need flexibility – I mean, this is an obvious one – to accommodate different learning styles – aural, video – visual, rather – verbal, whatever the different learning styles are. But I’m thinking more here about a second way. This is more about the uses of a textbook. And this kind of comes from a remark that a technical writing author we have made a while back. He said that today’s students don’t read textbooks as much as raid textbooks. What they want to do is, they want to go in, they want to get the information they need, they want to get out. And then the question for us becomes, can we design books that will accommodate raiding, but will also accommodate students who want to go deeper, who want to read more, who want to master the material, who want to really study the material hard.

I think that technology can help a lot with that, because of technology’s drill down capabilities. But within limits, books can also be designed to address different levels of learning. And to give an example – I was going to do this visually, but I think I’m going to skip the visual and just kind of talk it through – but I think it will work OK. In working with DK on *The DK Handbook*, part of the charge we gave Dorling Kindersley was, we want a book that will accommodate raiders and readers. We want to be able to accommodate both groups.

What DK did was to approach that challenge by doing the book in common patterns. The book is done in two- and four-page spreads. And many of these two- and four-page spreads follow exactly the same pattern. So you’ll see an overview page. First you’ll see two overview pages, then you’ll see two detail pages, then two application pages – overview, detail, application. So for example, when you talk about evaluating sources, first you’ll get an overview of evaluating sources. Then you’ll drill down one level and you’ll – the student is introduced to questions that he or she can ask in order to evaluate sources. Then you’ll drill down one more level and the student is shown how to apply those questions, like to evaluating a web source, for example. So it’s a simple drill down. It’s sort of like working on the web, except it’s in a textbook.

Another way we tried to approach learning differently and tried to be more flexible with this book was by when we had these categories on overview pages, we’ve got top – we might do like uses of a comma, for example. Here are the four uses, the four common uses, of a comma. And the book would then direct you to the overview, to the detail page, so you could read about the different uses. But beneath them, the students are given examples of each kind of use. And the reason for that is that a lot of times students don’t want to read the coverage. They just want to find an example, like I’m having a problem using a comma. I want to see



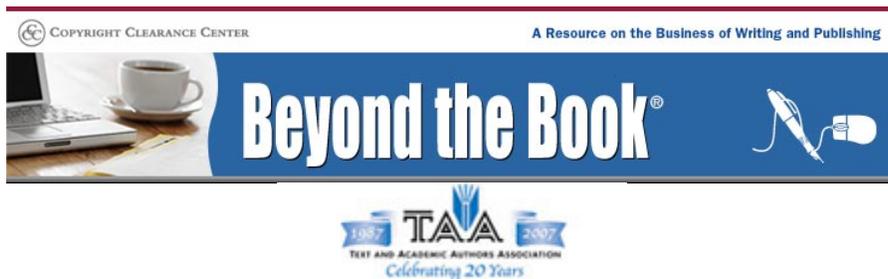
what somebody is supposed to do with this. And we give them an example. They can go right to that example.

So I could have put this little bit on accessibility – I could have put this little bit on DK, I think, into the – I could have included this as part of talking about accessibility. The reason I chose to categorize it and put it under flexibility is because I think this raiding concept is very important. I see this as something that, as publishers, we are going to have to deal with increasingly in the years to come, that we are going to have to really work on making our books books that students who want to get in and raid them for information are able to do.

Effectiveness. I think all the attributes I've talked about so far contribute to effectiveness. The point about effectiveness I want to make, though, is that I believe that the ability to demonstrate effectiveness is going to be a huge part of the Textbook 2.0 picture. There's a lot of talk, it's in the public discourse now, about learning objectives, about outcomes, about accountability. I think we're going to see a real rise of demand for proof of efficacy. It's going to contribute – I think it's going to come both with our media products. It will even, very possibly, apply to the textbooks that we publish. I think one area where we can make an improvement in terms of efficacy is to pay attention to the research that's out there about what helps students to learn. For example, I mentioned the one study in *The Chronicle of Higher Education*. Another one – I know that there's research dating all the way back, I believe it's to the 30s, about the importance of frequent quizzing, and how important that is for student retention. So I think there is a lot of stuff out there that we can draw on.

Finally, I want to talk about convenience. Size of text, besides price, is probably the most common complaint that we hear about in the textbook industry today. I think even with the major trend in the past decade toward doing briefer and briefer books, we're still hearing an enormous amount about the size of our books. There's even a mini-trend in some disciplines – literature is one – to do portable editions, which are – or backpack editions, which are even – they're briefer than brief.

So my main point, though, is I think that – when I think about convenience is that it's a bigger part of the value proposition than we think about, we typically think about. And I think that where you can see that is with Kindle. Kindle comes out and all of a sudden everybody's thinking oh, my god, textbook's going to be on Kindle. Can we get textbooks on there? I mean, what could be better than putting all your books on a Kindle and carrying around one whatever it is – I don't know how much Kindle weighs, 12 ounces or whatever. Probably off, but – one Kindle



instead of having to carry around all those textbooks and so on and so forth. So I think that that sort of impulse to think that way speaks to a real desire for convenience that's there in the market. Is Kindle going to catch on? I'm not a prophet. I can see in certain of my areas, like literature, that Kindle could be very valuable, but it's going to be a nightmare to try to get permissions cleared at a reasonable cost. And there's also the cost of the Kindle, which is what, \$500 or something like for the new Kindle DX.

I'm not convinced that Kindle's compatible with the design of our products and our reliance on media as it is right now, though. But what I can say is, that's not to say that our books and our media aren't going to evolve, and the reading devices aren't going to evolve, until we get to some point where the two will finally meet. So in the meantime, the key for digital delivery is that it fosters teaching and learning objectives, and that it enhances the evolution of those attributes that I've discussed, the attributes I've discussed like engagement and accessibility and so on. Which brings me full circle and I think we'll have some time for questions, I hope, at the end. And thank you very much.

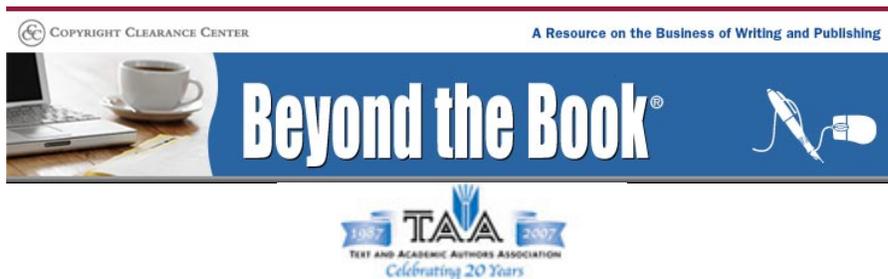
(applause)

M: Who's up next? Michael Boezi.

BOEZI: Just give us second to get a PowerPoint up. Well, hello there. My name's Michael Boezi. I'm the editorial director of a new publisher called Flat World Knowledge, and we publish open textbooks, which is why this is just perfect that I'm here today to talk as a part of the Textbook 2.0 session. So really, this'll be one potential view of the future that's here today.

We are brand new, as I said. We published our first 12 books this spring. And right now our list is in business and economics. However, we hope to branch out into all disciplines in the future. Now, we have a new model that aims to fix some of these ills that plague our industry. And I'm not going to go into all the problems that our industry's had. It's been well-documented, well-discussed. Today I want to talk about the future, and a potential solution. So here's how I'll structure the session. First, I'll talk a little bit about what open source is. Then I'll talk about benefits to each of the constituents. We'll start with students, since obviously they're why we're all here. They're our primary constituency. And then I'll move up the chain to instructors, authors, and benefit to the publisher.

OK, let's jump right in and talk about what is open source. Well, open source is many things, but at Flat World Knowledge, it's one particular thing. And we

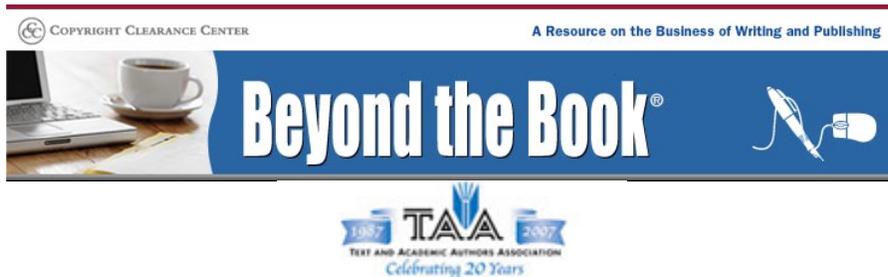


innovate by applying the principles of open source to the traditional publishing model. OK, these principles include opening the materials to everyone, and open in two senses of the word. Open as in open access, but also open in as you're open to change things if you like. OK, and open is – this is a common misconception, or it's not exactly accurate, let's put it that way. Most people equate open source with free. But really, open is not free per se, or not exclusively. Open is a license. And Flat World is one of the first, if not the first – I'm not sure. I can't say that with 100% assurance. But one of the first to monetize open source, so this is what's innovative about this model. And of all the formats that we offer, only one of those is free. That's the Web-hosted version. But we believe that when you open up access, there's potentially greater reward for the publisher and for the author.

So the obvious question that comes up all the time, and you're probably all thinking this right now, if you offer your books for free, how do you make money? This comes up – I've had 1000 conversations in the past four months, and this is a question that comes up in every call.

Now, I'm going to tell you some things that surprise you today, and the biggest of which is that authors can actually make more money under an open license. I can feel a little skepticism coming from the crowd, so I'll get into that. I promise I will get back to that. But we believe in copyright, and we believe in protecting our authors' work. And we also believe in our authors earning money, as well. In fact, it's critical to our model, because we believe that motivated authors – you motivate authors with the royalty – motivated authors produce better books. That's really important, and it's something that's been rather inconsistent in the open source world to date.

So what we do is we use a Creative Commons license. Probably many of you have heard this. This is a brief overview. And it means that somebody still holds the copyright. In our case, that's you, the author. Now, instead of all rights reserved, the Creative Commons license is some rights reserved. So this means that you give up some of your rights to the work. It allows instructors who adopt your book the ability to edit the content, provided that they attribute the publisher and author – to the left here – they share that derivative work under the same license with which it was issued, and that they're not engaging in any commercial activity around that derivative. Now, the fourth one over here we don't use at Flat World, because actually we want people to create derivative works as a part of our model. And actually, we use one of the more restrictive licenses. As you can see, Flat World's model is a little bit closer to the less open side on this scale than the more open side.

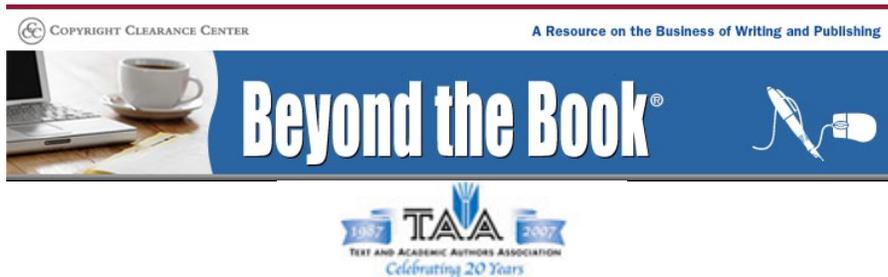


So, wait a second, the books are open access, and actually people are allowed to change your words as authors. Yes, that's true. And this is where you really have to decide what kind of license you're comfortable with. If you're the type of person who is uncomfortable with someone changing your words, open source is not for you, and likely Flat World is not for you. You really have to be comfortable with that in order to publish with us, just because it's really central to our mission. We want instructors to make these materials their own. And we think that customizability is not only more likely to attract new customers, but it's also more likely to make them satisfied with the end result, because they've participated in it. The ultimate goal here is to earn their loyalty, and then it's our job to connect the two, earn loyalty and then – I know, it's a little hokey, but I couldn't resist. Sorry.

But – all right, to make you a little more comfortable with this, let me dispel one of the biggest myths about Flat World, or at least our model. We are not a Wiki. We are not a platform. We are a publisher, which means we're going to do everything that any publisher does as far as the rigorous treatment of your manuscript, reviewing it. I would still torture you with all the reviews and the focus groups and all of that that any of the other publishers would do, because we need to stand behind our authors and their work. And we want to protect your work. That's why it's even under license. Anyone could put something up for free and not have it be licensed, but once it's published, even though it's open, your original version always remains intact, forever. Any work that any author does or – sorry – any user does to your work on a copy. That's really important.

So let's start with – let's see how this will affect students. I said I would start with students. Here's where the traditional model is a little bit out of sync. The student gets to college – and keep in mind that they're mobile, and they're wired. They consume information in a very different way. When they get to college, we hand them a textbook, which tends to be large and static. It doesn't have a lot of interactivity. Roth is trying to do that within a traditional model, where you're having a student interact with it in a different way. But there are limitations to print. And it just doesn't function the way that they do in the purest way. The class that's entering college today, they've never known a world without the web, even though it was in infant stages when they were coming of age. So right now, under the current model, students have a binary choice. They either buy this textbook or they don't. Our aim is to give them options, to treat the student like a customer, to give them the choice of how to consume the material, so it sort of elevates them in the process.

So you get to pick the book as an instructor, but the student experience is very, very different. They get a number of options, as you can see here. This is a screen shot

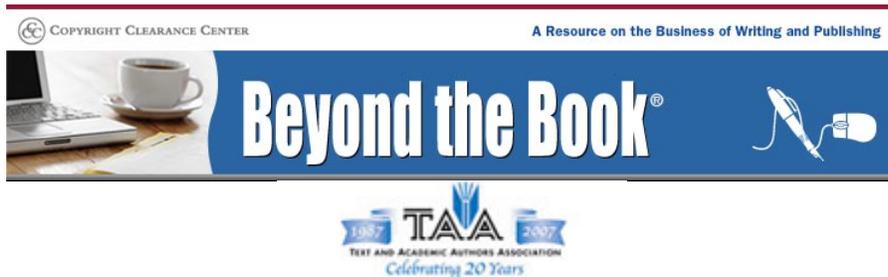


of one of our live textbooks. So you see like right here, they will have the option to get a black and white paperback book. And actually I have examples of these here. As I said, we publish books. There's some here and I (inaudible). They're real books. (laughter) And that book right there is a color book. That's \$60. But we also offer it in a Kindle version, iPhone version, Audiobook, and print it yourself chapters, study guides, study sheets. And many of those are monetized in the form of – like an iTunes model, in other words, a study guide chapter will be 99 cents. And one of the versions, as I said before, is free. This right here, you can go on and start reading it immediately. It's completely open access, no registrations, no access codes, no time bombs. You can get on there for free and access it.

Big question – why would students pay for something that is online for free? Well, first of all, they are. It's happening. Even though we're brand new, we've got about 350 adoptions or so. Students are buying things. And the reason is really one word, that's convenience. If they're to access this online – think about this – they have to be tethered to at least a wireless connection. They can't be reading this on the bus, at the laundromat, whatever. I mean, they have to be locked into a web portal. So the convenience of printed materials is really paramount to what we're trying to do here. Students – and I'm sure Roth would back this up – students right now are not reading eBooks per se. They're not reading online. They like to have a printed copy to carry around. So that's really central to our model.

OK, so let's move to the instructors. If you guys will take off your author hats for a second and put your instructor hats on now. Remember that I said we are a publisher, so what we're guaranteeing to instructors is that we've put your manuscript through the rigorous process. It's top-notch, top quality materials. Now, this right here is one thing that the industry does very, very well. In general, publishers, starting with you, the authors, publish fantastic materials. We just think that the value proposition of those materials is a little off right now. This is what we're trying to solve. So all the things that you do to produce a book, basically all of that, up until the point when you send it to the printer, all of that is done really, really well and we don't see much need to change any of that. That process works really, really well. But then after that, once you send it to the printer, and the delivery, that is what we want to actually try to innovate on.

And regarding flexibility, you have these top quality materials, but now you can make them your own. So you can make it for your specific course, not sort of the archetypal national version of that course. So you have the freedom to do anything like on a copy of that web hosted version. And since we're print on demand exclusively, I don't warehouse anything, I don't have to print anything. You make



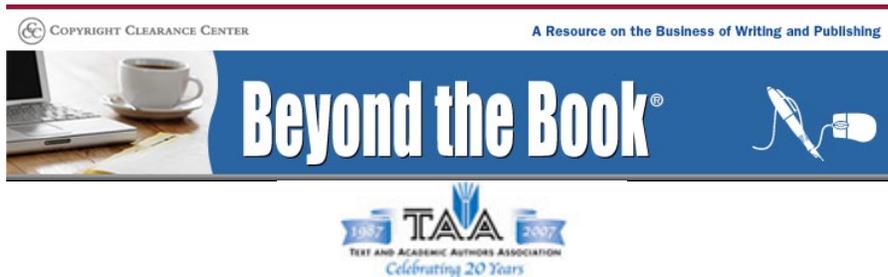
a copy and you hit publish, and your students can go on and order that book immediately, within four seconds, OK.

Now, your experience as the instructor – and this is really important – is no different. We wanted to make sure that the instructor didn't have to give up anything in this whole process. So you still get all the supplements that are useful. So you get instructor's manual, test bank, PowerPoints, all that. You can have a desk copy if you like. But the things that are very, very different – one, there's no forced roles. (sp?) I don't need to do that, because one, it's going to be hard for used book companies to make money off of this fractured market. And since we're print on demand, every edition can remain available forever. We never have to force our customers into a new edition, which, as you know, is highly irritating to our instructor customers. And the other thing is, of course, your students won't be complaining about price, because they've chosen how to consume the material. It was their choice. They own it. So you won't have them complaining about that, nor will they have the excuse about access, because there's no access codes. They can get up there – everyone has access to it. And the book is live, ready, and, like I said, no registration, no time bomb, nothing like that. So no more excuses from your students that they couldn't get the book or whatever.

OK, so let's move on to authors. This is the good stuff, right, because this is about you guys. So you can take your instructor hat off, put your author hat back on. There's many benefits to being a Flat World author. But let me give you the two sort of boiled down – more time and more money. Let's start with more time. Do you guys like doing revisions? No? Probably sometimes you do, right. Sometimes it's worthwhile, right? Do you?

M: Yes. On the update.

BOEZI: Yeah, in some disciplines it's really, really important. But if you're in a discipline like, say, calculus, history, you know, things don't change as much as in poli sci or risk management or something. So there's some times where it's really market forces that are pushing you into a revision. And even then, sometimes it's worthwhile to make those updates and whatnot. But what I propose to do this with model is that we don't need to make those revisions for market reasons. You, the author, control when you want to make revisions. So if you're writing a calculus book, for instance, you want to update it six years from now, great. You feel like there needs to be some new application, great. It's on your terms. It's not forced upon you. If you're a political science author and things change every single day, update it every day. I wouldn't recommend that, because it's a ton of work, but it's



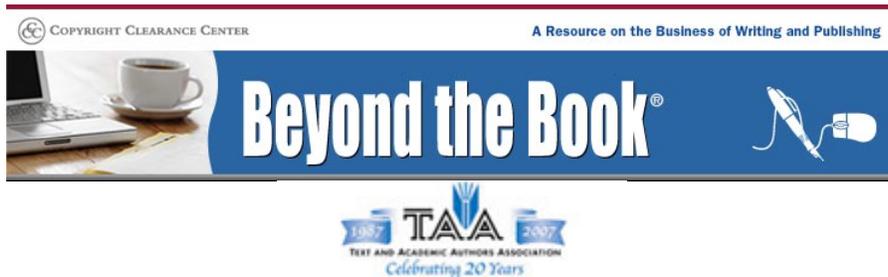
not a lot of work given our platform. Update it every day if you like, because it's all open.

And really, like I said, the way that we get away with this is that the national market is fractured. The more derivatives that are made, because we've made that very, very easy in this model, the harder it is for the used book companies to sort of aggregate those into a profitable model.

OK, so now let's get to the more money part, right, since you were all very skeptical. How do you make money? First of all, we pay you a royalty, just like any other publishing company, right? We are a publisher. And we pay you on a percentage on all revenue associated with your work. That means anytime the student pays, they purchase one of those items, you get your percentage. And you get the same percentage for any of those. So for instance, if they order the \$29.95 black and white paperback book, you get your percentage. You get the percentage should they download and order the supplements, the little mini-chapters. All those little micro-payments, you get a royalty on that, whether or not you created the materials or not. And not only is this percentage a little higher than the industry average, but you get the same percentage for all revenue. So for instance, digital versions, custom versions, international versions, all these things are things that are growing, and you get the same rate, not a reduced rate. And with supplements, you get the same rate, not a reduced rate, because we look at you as a partner, and partners get a share. That's the essence of a royalty arrangement. It's a profit sharing model.

So today we make our money by selling the convenience of print and these other materials. But five years from now, 10 years from now, who knows how we'll be making money as an industry. It's likely to be different than it is now. And we cut you in to all of that. So we leave our contracts very, very open, so that any revenue that is generated because of your work, you will get that same royalty percentage. So suppose we start selling Google AdWords on your book pages. The industry's been hostile to that for now, but maybe that'll change. You get your percentage. Suppose we start wrapping services around that. You get a percentage of that because it was based on your work.

OK, so how about the more money part? That's the key here, right? I'll walk you through some data. Keep in mind that this requires some assumptions, because we are brand new. This was our first semester out there, so all of mine are based on projections for the Flat World, which is the orange here, and the traditional model is the purple. All this, however, is based on actual industry averages using actual



industry data. So I'm modeling the Flat World off of different things that – different models, different ways delivering things.

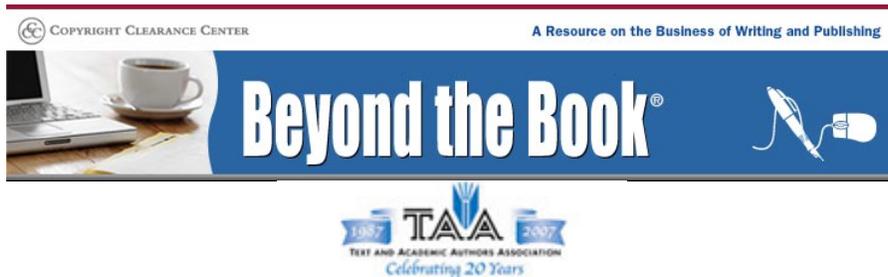
So let's for the sake of argument here start with the same number of students from a Flat World book or traditional publishing model book. So 100 adoptions, 125 students. The industry rate says that, in the traditional model, 77% of students will buy a new book in that first semester. So you see that's where the purple line starts. And as you guys know, who have published before, you do pretty well in the first two semesters, and then it kind of drops off. Like I said, an average. This isn't going to be applicable to all disciplines as this, but it's an average.

Now, let's take those same 12,500 students in a Flat World book. We're going to assume that those – 85% of those students are going to buy something. Now, keep in mind, that something could be a small amount. That could be the \$1.99 chapter. So we're going to get way fewer dollars per student. However, it's not going to attrit (sp?) quite as much because they can – first of all, there's not as many used books, though it will hit us a little bit. And they can continue to buy things, as we've seen so far with our adoption patterns.

So let's see how that right there would look in your royalties. In a traditional publishing model, you do very, very well in that first two semesters, and then it drops off, and by the fourth semester – remember, industry average – it's gone close to zero. And of course, keep in mind that's an average. I know each of you could refute me on that on your royalty statements. But the point is that it's going down roughly at this rate, and then you have to start thinking about doing a revision to try to get back to your one year, again, on the schedule.

Now, from the Flat World model, you'll see that we started with more students. However, as you can see, we start off very, very low – in fact, probably half of the revenue in that first semester, because we're not taking nearly as many dollars per student. However, that's going to remain pretty steady throughout. And this – again, I don't have exact data on this. It's based on what we think the behavior will be. We're only in semester one right now. But anyway, that's how that should look.

Now, if you think of this – let's look at this cumulatively, as in your royalties piling up semester over semester. Notice that in – somewhere between semester three and four, the actual amount of money that you earn at Flat World starts to surpass that of the traditional model. Now, the orange line will continue to go up, though it will slow. There's no doubt that that will happen as well. But the purple line will level



off and nearly flatline until your new edition, so time to start working on the revision.

So I tried to put this in a very particular – I have all the data on this everything, but I tried to make this really simple. Did I do OK with the graphs, Mike, Kathleen? All right, good.

So how does this benefit the publisher? Here's the revelation. All the issues that plague our poor industry. Well, by solving the issues for all of our customers – students, instructors, and yes, even our authors – we've actually solved all of our own problems. Not to sound all idealistic, but we're happy because we're making money, our authors are making money, and we're not on a revision treadmill that's completely market-driven rather than you-driven. Our instructor customers are happy because the book follows their syllabus now, not the other way around. Their students have equal access to all the materials, and they didn't have to change the way they do their business at all. And our student customers are happy because they now have a book that's relevant to them, it's at a fair price, and moreso, they've chosen how to consume it. They've made the choice.

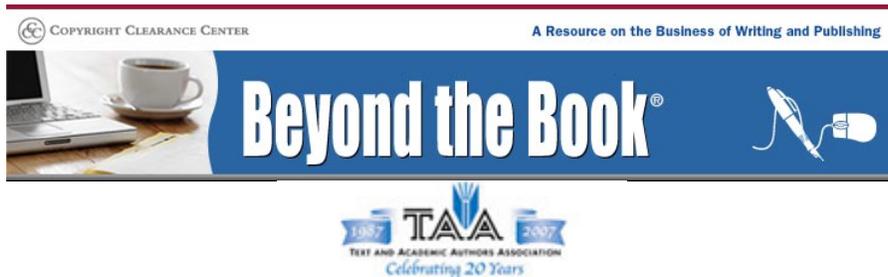
Now, Flat World's model may not be the only version of Textbook 2.0. However, we're going to give this a go, give this model a go, and see how this works. And if we produce good quality books that meet the new needs of the 21st century classroom, we offer it at a fair price, we think, how can you say no to that. So if you've got a good idea, or your colleagues have a good idea, let me hear about it. We're trying to sign in all different areas. And it all starts with you, and a game-changing idea. So if that's you, or one of your colleagues, definitely give me a call. You can get my – I thought my e-mail address was up there. Anyway, it's on the Website. And I'm sure we'll have some questions afterwards, but I will be here through tomorrow, so if you want to hear more details about all the little nuances of this that I couldn't do in this 15 minutes, then please track me down, and we'd be happy to answer any questions. So thank you.

(applause)

FREGGER: I had a prepared speech but I've lost it.

F: I just wanted to say really quickly (inaudible).

FREGGER: Well, for the first time in my life, I was going to actually read a speech, but guess what? I misplaced the speech somehow. My name's Brad Fregger. I'm brand new with TAA. I just was invited to come. You wanted to hear a little bit, I



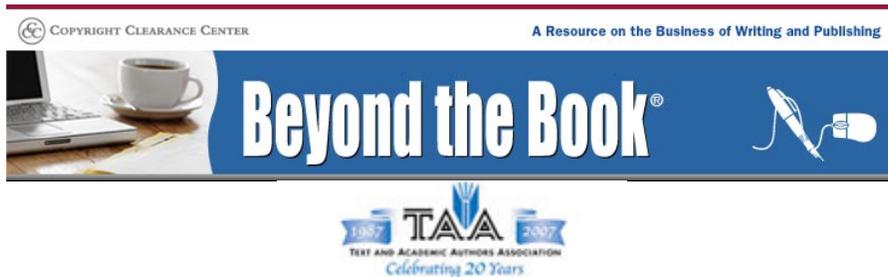
understood, about self-publishing. That's where my expertise is in, is self-publishing and how that may relate to academic – to what's going on in the academic world. So that's what I'm going to talk about. And I think I can probably do it without the speech. And we'll find out, won't we? (laughter)

My background is – it's actually – I was thinking about engaging, when you were talking about engaging. My background is computer games. That's all we ever thought about was engaging, from the very beginning. In fact, just to give you a little – I'm a little bit of a discloser here. How many of you have ever played computer solitaire? Anybody here play computer solitaire? Well, I'm the guy that invented it, so you can blame me for all that. So anyhow, I was in the computer games industry for – somebody – you're actually happy. Good. My mother and dad were very happy, too, by the way.

So we're going to be talking about books, and also I'm going to be talking a little bit about eBooks and how they do this. This is going to be a self-publishing thing. A couple of things that I'll mention right off the bat. The University of Texas actually did a major research project based upon the idea of, do students like eBooks? This was done in Dr. Lynda Cleveland's classes. They did it with 1000 students, and eBooks were not – were actually very much not preferred by students. They much preferred the hard copy. So that just supports what both you gentlemen said. That was done at the University of Texas. I, by the way, teach at Texas State in San Marcos. I teach marketing and business communications, and also I'm – this is a little bit of a please be patient thing – I will get to textbooks, but I want to cover the industry just a little bit, the changes that have made Textbook 2.0 possible first, OK?

And the other thing I wanted to mention to you, this is a new tool I've discovered. This is Keynote, all right? I've been using PowerPoint all my life, but I just switched to Keynote, so you're the first people to see my Keynote presentation, so you can see whether you like it or not. I'm going to just move on here.

I'm the CEO/President of Groundbreaking Press. We're a small boutique – I'm going to say self-publisher. That's a misnomer. I'm going to explain that in a second. Small boutique self-publisher. We produce quality product. That's what we're about, is quality product. And I'm sure you're aware that most of the self-publishing publishers do not produce quality product, for reasons that I'll explain a little bit later. We've done 50 books in five years, and it's a broad-range. It's a broad range of books. It includes everything, including some books that are being used in universities. We only work with one to three authors at a time. That's all



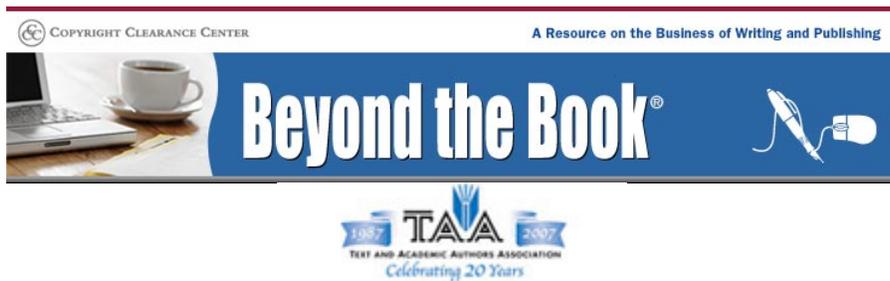
we're interested in working with, because we try to – as we say, we do a quality job.

The sea change that is going through the publishing industry, it relates mostly to the fact that the format of the book is much the same as it's always been, but while the format hasn't changed, the way of getting to the format has changed dramatically. There's also ways that the format itself has changed, and of course we're talked about that with the Kindle and the iPhone are two examples of how the format is changing, and this is actually preferable in some ways to what I would call eBooks, with eBooks to me are books that are read on the computer. So that's what I'm talking about eBooks. This, of course, is a form of eBook, but it's a little bit of a different kind.

There's some interesting stats that I want to produce. This is from Nielsen BookScan, just to give you a rough idea. This is from – and *Publisher's Weekly*. This is interesting. Three thousand books are published daily in the United States. If you multiply that by 300 – 300 days – you end up with 900,000 books are published daily – I mean yearly – in the United States of America. And when you think about it, that's just absolutely phenomenal. And so this is – they reviewed 6000 of them. That's less than 1% of the books published that have been reviewed by *Publisher's Weekly*. Very interesting.

This is Nielsen BookScan. They reviewed 1.2 million books that were published in one year. Eighty percent of the books only sold 99 copies or less, 80% of them. Another 20%, almost 20% – only 2.5 – 1% of the books sold more than 5000 copies. Only 2.1% of the books sold more than 5000 copies. What I tell my authors, if they're thinking about making a lot of money publishing, is I say they really need to take the \$10,000 they'll pay us and go to Vegas and put it down on a game of – of one game of 21, and they'll have a better chance of making a lot of money than they would if they tried to publish in the way that we do with self-publishing.

Breakeven for our authors is between 500 and 800 units. That's what breakeven for authors is. I'm actually doing this pretty good without that paper I wrote. I wrote the book called – I wrote a book called *Why Publish?* where I talk about, if everything is that way, then why do you want to publish? And what I tell our authors is one of the most important reasons for publishing is for posterity. That's one of the most important reasons is that it's critically important for posterity. My master's is in futures of societies, and I think stories and messages are critically important to the future of society, and you'll find out how important I believe that to be. So that's one of the reasons we'll do that.



I do believe that printed books have a long future. Even though I cut my teeth in the electronics industry, the technology industry, I think printed books have a very, very long future. And there are exceptions to making money, and I think textbook authors have an advantage, and we'll be talking about that when I move into the textbook author area.

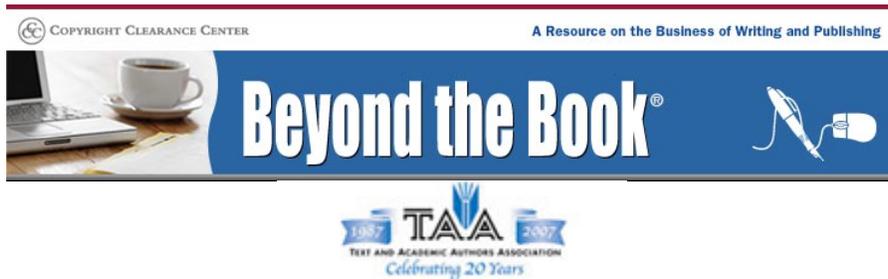
Let's see what else I – I want to give you some basic terms here real quick. These are my own terms, because the sea change has confused things. But self-published author is extremely a misnomer. There's almost no such thing as a self-published author any more. I much prefer to call it the author-funded – author-funded publisher. So there's this section of author-funded publisher, rather than self-published author, which is a different deal. But very few authors nowadays make sure they handle everything that has to be done to create that quality product you were talking about. What was the word that you used – to do the –

M: The rigorous development.

FREGGER: The rigorous development that has to be done. Thank you very much. That has to be done. So this describes 99% of the cases much, much better than self-published author, but it's my term, so it's going to come to big. You have to talk about author-funded publishers.

It breaks down into two camps, author-funded publishers and traditional publishers. That's how the industry breaks down. The chasm is phenomenally large between the two. There is no respect within the industry for the self-published author. This is especially true with traditional publishers, reviewers, and booksellers. I tell that to my authors. They're not going to get respect, they're not going to get reviews, and they're probably not going to get their book on shelves. That's important to understand. For instance, Barnes & Noble has a general policy that they will not stock on their shelves any self-published book, any self-published book will be stocked on their shelves. I have an author with Barnes & Noble – there are exceptions, I say here – but I have an author with Barnes & Noble. His name is Robert Floyd. And he did a book called *The Courage to Lead*. He had 50 people at a book signing at Barnes & Noble and then was told at the end of the book signing he had to take the extra books home with him, that they couldn't put him on the shelves.

I had another author, though, Magda Herzberger. This is actually one of my most successful authors. She wrote a book on her experiences in the concentration camps. And Magda Herzberger has written six books, and all of hers are on the



shelves in her local Barnes & Noble. But one of the main reasons that this is important is that there's a lot of local support for authors, and if the book isn't carried on the bookshelves, then the authors, they can't take advantage of that local support. And then second of all, it's becoming very, very difficult to get published by a traditional publisher, extremely difficult. And so that not only are these bookstores missing revenue from books that would be sold from local customers, but they're also missing some very good books, like this is an example of an extremely book. Of course, that's all we ever do is extremely good books.

So the reputation for quali – this is the problem. The reputation for quality is well-deserved. I estimate 80% are poorly produced. There's insufficient editing, copy and design and proofing on these books. The main reason for that being is that the vanity press – this is author's services book publishers. We call ourself an author services book publisher – again, that's a term I've made up, so you won't run into it. It's a sea changes caused this necessity. But we're author funded, but we insist on high quality. We won't work with authors that aren't willing to go through the rigorous process with us.

Vanity presses, they're author funded, but they produce the book the author says is finished. So whatever the author says is done, and as I think most of you know, most of us authors think that it's done when the manuscript is finished, but we've got about 90% left to do. So most books do not achieve, etc., but this is pretty obvious here. I want to get to this one, this example.

This is an AuthorHouse example. How many have ever heard of AuthorHouse? This is a book that we got from AuthorHouse. You can see the red is the additional editing that we would believe is necessary. This was a published book from AuthorHouse. Here's an example. This is a line break right in the middle of a sentence in a published book. Down at the bottom here you can see that the word quiet was spelled quite. And then there's one line right up here in the middle, this has three mistakes in one sentence – a that that's not needed, sedimentary should have been sedentary, and then overindulgence is one word. This is two consecutive pages in a published book from AuthorHouse. This is the kind of rigorous work that you get when you go to a vanity press. So the author believed AuthorHouse would provide editing services, and they just don't have the capability. They don't have the capability because they don't have the staff. They're hiring kids right out of college, or maybe not even that, and they just don't have the staff. They don't understand the rigorous process. They just plain don't understand it.

I want to talk a little bit about print on demand. Sounds like you know about print on demand, but we're going to talk about it here real quick for a second. I'll talk



about my story. This is why I got into book publishing, why I decided to do that. In December of '97, I produced *Lucky That Way*, which is the story of my years in the computer games industry. In order for me to produce that – to sell that book at an acceptable price, I had to produce 5000 copies. So I had \$15,000 to hold the book in my hand, the first book in my hand. I had \$15,000. This book here, which I just published, in order for me to hold the first book in my hand, I only had to put out \$500 for printing and binding. So the difference between \$15,000 and \$500 was – I mean, it's unbelievably different. And the reason for that is because of print on demand. That's what makes this possible. And that's what makes it possible for authors to be able to publish for themselves. And I don't have a lot of books in my garage. That's the other advantage. I don't have a lot of books in my garage with that print on demand. POD and digital and offset, those are the three ways that books are printed nowadays. You all understand offset, which was the original – I was going to say – I did want to say – all of these publishers now get POD – PDF. You use PDF, right?

M: We do.

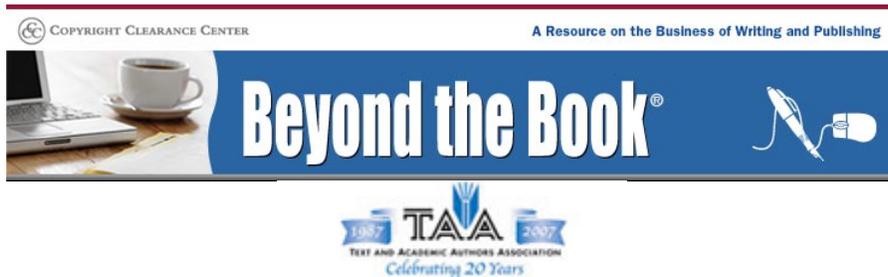
FREGGER: Yeah, everybody uses PDF. Offset uses PDF. Digital uses PDF. Print on demand uses PDF. So essentially, that's the same for all of the books, that's what I'm trying to say here. The offset is more expensive in the smaller quantities, and then the digital is less expensive in the smaller quantities, because the digital, it's stored on the computer. And because it's stored on the computer, the author can request books whenever they want. And because the author can request books whenever they want – some people believe that digital is print on demand. Digital is not print on demand. Digital is digital. The fact that the author can request books whenever they want doesn't make it print on demand. But this is print on demand. We use Lightning Source. Do you use Lightning Source?

M: Yes.

FREGGER: Yeah, OK. We –

M: – of our own, but a little bit.

FREGGER: A little bit of Lightning Source. We use Lightning Source. They're the – Lightning Source is the largest print on demand company in America, probably the world. And we use them because of the great customer service and reasonable prices. But we also use Lightning Source because they have great distribution for us. They have Ingram, Barnes & Noble, Amazon, Baker & Taylor, all the important distributors Lightning Source goes to automatically. The print on



demand printers, they print and bind and ship one book at a time. They do one book at a time. They print more different books in one minute than an offset or a digital printer will print the same book in one minute. It's phenomenal. What happens is, you go to – you order a book from – like on Amazon. You order to Amazon and then it goes to Lightning Source. At Lightning Source now, they print in these large, big rolls. They're big rolls of paper is how they do printing. And they print three books at one time. So they're printing off three books at one time. Then they cut and they cut and they meld the – put the books together and put a cover on, and you've got a finished book. And you can't tell the difference, as you guys – you can't tell the difference between a book printed offset and a book printed like this. The finished book, you cannot tell the difference. It's just phenomenal.

This is the reason. This is the POD advantage is, again, we don't have the book. This is actually just in time inventory. This is just in time inventory for the book publishing industry. And it works seamlessly. It works absolutely phenomenally well. But because the booksellers don't know that, and the book distributors don't know that, we have to carry 20 of every one of our books on the shelves of Ingram in order – so that the bookseller and the book distributor will have confidence that they can get the book. But if you were to ask me how many books do I have available. If you asked me how many books do I have available, the answer is infinite. How many books do you want? That's how many I've got available, because that's the way that print on demand operates.

The additional advantages of print on demand is that you have the – you're available throughout the Internet, absolutely. It can be ordered at any bookstore in America, any bookstore in America, because the distribution – you can special order. It's not on the shelves. I recommend strongly to my authors – boy, I'm talking too loud, aren't I? I always – I never need a microphone. I recommend strongly to my authors that they not, that they not put books on shelves. There's nothing but disaster comes from putting books on shelves.

We now have this Espresso book machine. And all the Lightning Source books are available on the Espresso book machine, so that libraries and bookstores will have the machine where you go in and you can pick any one of a million titles, and it prints out and prints you a book, and delivers that book instantaneously. Again, one at a time, on demand. So I think – well, anyhow, so there's great advantages to the author through print on demand.

All right, I want to move along here real quick. I'm finally getting to textbooks here. And one of the issues with textbooks, they cost a lot of money. You know

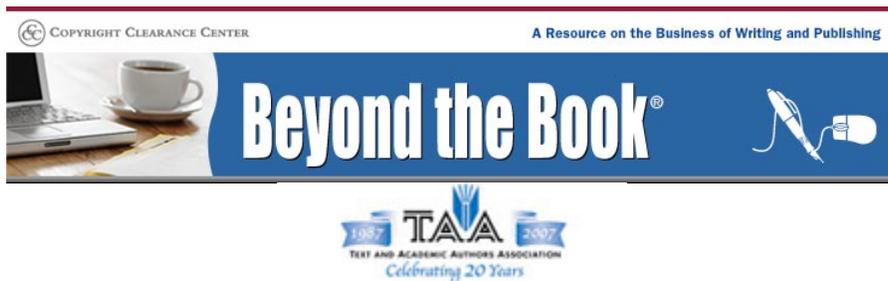


that. I'm going to go through that. The other issue is that the professors often believe they more, and probably are right, in many instances, than what the author of the textbook – at least they know more from their point of view and how they want to talk about it. That's really been covered well with Flat World, did a great job with that. I don't know what I meant by that. (laughter) What I want to say is, I guess what I'm trying to say here is there would be a great advantage – and again, Flat World did this so well – there'd be a great advantage for the professor to be able to supply the information according to the way they want to supply it. There's a great advantage to that. And there's a great advantage to the book that's being offered to the students to be consistent with what's being taught in the class. Again, that's another – that you did that terrific. And this is the same situation in what we're talking about here.

We want them to be affordable. One thing that I say here, real quick – what I say here is that afford – textbooks are reasonably priced. When you consider everything you have to go through to get a textbook out, they're reasonably priced. But that doesn't mean that they're affordable to students, and that's the issue that I think both Flat World and I are – the process that I'm describing wants to get by that.

See, I got carried away with all these fancy graphics. This is Dr. Garry McDaniel. He teaches at Franklin University. He did the book *Conflict to Co-operation*. And he did this book because he wanted a book that, in doing his conflict resolution classes, that would meet his needs, meet his philosophies. And the students are required to purchase the book. The book costs \$18.95. He has no complaints at that price. They're very comfortable with making notes in the margins, very comfortable with highlighting the book, and they tend to keep the book. They tend not to give it away. They tend to keep it for a reference for later on, because they haven't spent that much money. And they couldn't sell it for enough to make a difference for them not to keep it. And also, his book was also picked up by a professor at another university. He's making income from that as well. So that was an advantage for him.

So how much does he make from distribution? Let's say the book is a \$20 book. This is not his actual figures, but they're close. The book is a \$20 book. After discount production of revenue sharing – we don't do royalties, because our philosophy is if the author owns the copyright, where's the royalties? So our philosophy is we do revenue sharing. So we call it revenue sharing. But if the author sells 150 books a semester, and clears about \$5 a book – the author clears about \$5 a book. So the author can do about 2000 a year through distribution – through distribution. That's what they'll do through distribution. But that's not the



only way the author will necessarily make money from the book. There's the back of the room, because of the authors are also talking about their book, and they're selling it at the back of the room. And the back of the room, how much the author makes is quite a bit. With a 150-page book, the author would pay us \$3.60 for that book, \$3.60 for 150-page book, and would sell that book for \$20. The author would clear \$16.40 for each book sold when they do it. This is actual figures for a 150-page book, actual figures from the way that we do business. Nobody else does business like this. We're the only one in the author-funded that does it this way. But we have authors that have sold over 300 books, and we have a number of authors sold over 1000 books, in doing it in this back of the room sales, on these back of the room sales.

New editions, again, are easy. Again, you've covered that. When you're talking print on demand, everything's easier. All of it's easier.

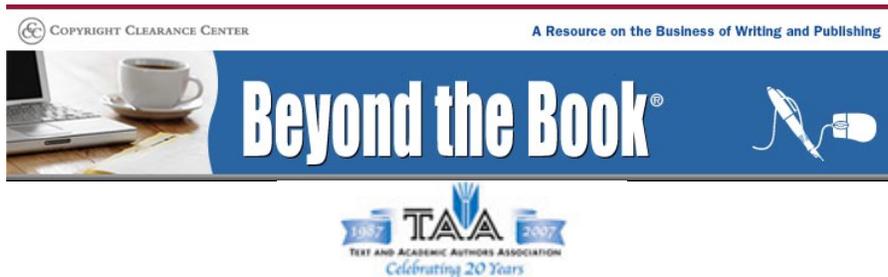
This is three additional advantages that Garry talked about – significant increase in credibility, important marketing tool, aid in publishing academic articles. He says that he has – get more credibility from being an author in his expertise than for having a doctorate in his expertise from the people that he talks to. It has a significant impact. And then, while the book won't work as an academic – as an academic, he's able to pull academic articles from his book. And that's what he was able to do. One final advantage is you're in control of the creativity, which is outstanding. You're in control of the creativity.

This is the story about Burr Mills. (sp?) I'll tell you later. (laughter) because I'm running a little bit behind time here. I've got to go.

The traditional publisher's customer is the customer themselves, and they have to believe that they know what they're doing. Those editors have to believe they know what they're doing. I have some doubts, because so many books sell so few copies, but that's just my opinion. And we have to remember when we're talking the average of 5000 books, these books are included in that average. We have to remember that.

The author is our customer. The author is our customer. We don't change the voice. We don't change the content without author approval. What our authors tell us is, this is our book – this is my book, but it sounds so much better. That's what our authors tell us.

These are going to be important – I agree. I think this is kind of a short-term solution, but there's no doubt in my mind that something's going to happen. I read



books on this all the time. And I find it very convenient to read books on this. Imagine the convenience – we're back to the convenience factor – of just pulling your iPhone out, you're on the bus, and reading the chapter in your textbook. Imagine that convenience. I strongly would recommend to all of our authors that they provide both the Kindle edition of their textbook so that authors – and then give it free to the people who purchase the textbook, because it's so phenomenally convenient.

These are the critical features that I think these books have to have. I think they have to have the ability to search, to cut and paste, and to create bookmarks. I think those are the three critical features for academic texts that are on electronic media.

I worry about electronic media – I'm getting near the end then. I worry about electronic media a lot. I was mentioning this last night. Do you realize that if everything that we've gone through – you saw all the different media we've gone through – how many of you have had important media, like a book or photographs on a media that you could no longer access it because there's no way to access it any more? What I say here is that the library of Alexandria, they lost all of their books, over a million books, because they were burnt by the conquering army. They were burnt by – but they don't have to do that any more. We just have to – the Internet just has to come down, and all that knowledge is gone. I think that printed books on acid-free paper are critical to our future as a society and a civilization. I hope that never goes away.

(Music)

M: Beyond the Book is an educational presentation of the not-for-profit Copyright Clearance Center, with conferences and seminars featuring leading authors and editors, publishing analysts, and information technology specialists. Beyond the Book is the premier source for knowledge on the latest business issues facing today's dynamic publishing industry, from initial research to final publication and beyond.

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