

THE IMPACT OF GRAY MARKETING ON TEXTBOOK PUBLISHING

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More and more textbooks are being purchased online by students due in large part to the multi-channel availability of books via the Internet. Many students are finding books at a greatly reduced rate from a variety of websites. Students typically quote price reductions of 40 to 60% compared to the campus bookstore price. Of these purchases, an increasing number are coming from "gray market" sellers.

The net result is both financial and a loss of control within the distribution channel by the publisher. In general, the publishers see this as a negative development. Along with financial issues associated with lower prices, the book representatives do not get a commission or other credit for selling the books. On the flip side, students view this as a positive result of the multi-channel availability of product thanks in large part to the World Wide Web.

This session explores the gray market processes, how it works, and its implications for the textbook industry. This is an important for marketers for three reasons. First, this issue is likely to change how the textbook business emerges in the future. For most marketing educators this is a significant issue. Second, this is an important topic for marketers interested in the study of gray markets. Third this is an excellent opportunity to provide students with a personal example of multi-channel marketing and gray markets.

In this session, the presenters will provide an overview of the theory and practice of gray markets and how they work. They discuss the conditions for the emergence of gray markets and why textbooks are good candidates. Next, the global perspective on this issue was reviewed, especially EU, Eastern Europe and Canada. Both legal and cultural issues are discussed.

Next the presenters discuss this development from the students' perspectives and provide specific examples. Finally, the presenters explore the publishers' viewpoints. While at first glance this

appears to be a negative development for publishers, there also appears to a number of potential positive ramifications from this activity. One important issue is how to deal with this development.

Hopefully, attendees will walk away with a better understanding of the textbook business (whether they are recommenders of books or potential authors) and will develop a better understanding of how gray markets evolve and impact the marketplace.