

# The Complete **K-12** Newsletter

The Convergence of Traditional and Electronic Media in the School Market

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## Houghton Mifflin 2005 Sales, Income Up; K-12 Strong

Boasting strong performance in K-12 publishing, Houghton Mifflin reported sales from continuing operations up 5.2% to \$1.282 billion in 2005 from \$1.219 billion in the previous year. Operating income more than doubled to \$59.4 million from \$21.9 million. The company noted that the results of its Promissor division, sold in January to Pearson for \$42 million, were reclassified as discontinued operations for 2005 and 2004. It had sales of \$68 million in 2005 and \$64 million in 2004.

In the fourth quarter, HM had sales of \$214.7 million, down from \$224.7 million in the year-earlier period. The operating loss of \$66.9 million declined from \$72 million.

K-12 publishing sales rose 8.9% to \$925.5 million from \$849.8 million in 2004. The gains were driven mainly by sales growth in the school and McDougal Littell divisions, with positive results in elementary social studies and math and secondary science and social studies. Sales rose for Great Source Education Group, mainly due to increased sales in science and math, and the assessment division had an increase in new Edusoft customers. The strong results were partially offset by decreased sales from Riverside's state contracts.

K-12 sales for the fourth quarter rose 2.2% to \$127.3 million from \$124.6 million.

College publishing had sales of \$228.3 million in 2005, up 3.3% from \$220.9 million in 2004. The rise was due mainly to higher textbook sales in history, including strong advanced placement sales, modern languages and Student Success. Strong performances were partly offset by a cut in backlist sales from the previous year.

Sales in the fourth quarter for college publishing rose 4% to \$54.7 million from \$52.6 million.

Trade/reference sales in 2005 dropped 13.4% to \$128.3 million from \$148.2 million. HM said the decline was due to "higher sales of titles tied to movie releases in 2004 and lower income from licensing rights in 2005."

For the fourth quarter, trade/reference sales fell 31.2% to \$32.7 million from \$47.5 million. Sales in the 2004 quarter got a boost from *The Polar Express* by Chris Van Allsburg, the basis for

**EIGHT YEARS  
IN PUBLICATION!**

### PERSPECTIVE:

*"In the whiteboard market, we've seen over the last 12 to 18 months a huge shift from individual schools or single teachers in a school using the whiteboard in the classroom to districts putting in large-scale implementations."*—Rob Meissner, GTCO CalComp

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Open Book  
Publishing Inc.

## K-12 Interview

*This month K-12 Newsletter talks with Rob Meissner, vice president of marketing for GTCO CalComp, the maker of the InterWrite School Suite, a series of interactive presentation products.*

**K-12:** *How did you get into the education end of the business?*

**Meissner:** I came into education by joining this company. My background was with several different computer companies, including NCR in South Carolina, Compaq in Houston and Micron PC of Boise, Idaho. We're from Maryland originally, wanted to come back east and found GTCO. I joined to run its marketing. After looking at the whiteboard technology and at the various parts GTCO has, it steered us into going after the education market.

**K-12:** *After selling business-to-business, do you find the education market different?*

**Meissner:** The decision-making process in education is so different. In business, you typically know who it is that you're trying to sell to, the IT director or department head or whoever. In schools, especially for our type of product, there are different constituencies. The ultimate user of the product being teachers, they typically have the interest but not the money. Depending on the school system and how it's organized, the principal may have the money. Sometimes it's at the district level, where the tech coordinator ultimately makes the decision. Education presents a much more complex marketing challenge trying to target a message that may be different for the end user, being the teacher, versus school district personnel.

**K-12:** *Is the market for the electronic whiteboard category very active?*

**Meissner:** Within the educational realm, we sell two different product lines. One is the interactive whiteboard and the other is the student response system. Both are very hot at the moment. In the whiteboard market, we've seen over the last 12 to 18 months a huge shift from individual schools or single teachers in a school using the whiteboard in the classroom to districts putting in large-scale implementations.

**K-12:** *Do you sell to K-12 and to colleges?*

**Meissner:** We do sell to colleges, and we sell internationally. We have a deal going on right now in Mexico for over 24,000 whiteboards.

**K-12:** *Where is the most activity? Elementary, secondary or postsecondary?*

**Meissner:** It depends on the product. The student response system is explosive in higher education. The system fundamentally changes the dynamics of the relationship between the professor and the student. If you have a large classroom, you move from having a one-way monologue, the traditional lecture, to actually having student feedback and more of a dialog, even though you might have 100 students in the room. We're seeing many colleges standardize and use the product throughout.

For whiteboards, it was pretty much high school and a little middle school two years ago. Now, we're seeing more penetration into middle school and elementary. Currently, it's pretty evenly split for us, a third in elementary, a third in middle and a third in secondary.

**K-12:** *Is it mostly in existing schools upgrading their technology or in new schools being built?*

**Meissner:** It depends on the district. If it's a new high school, we try to fully implement it in every room. With existing schools, the roll-out tends to be much more measured.

**K-12:** *With the whiteboard in K-12, is there any*

*way to quantify how many classrooms are up and running with this technology, not just with your product necessarily?*

**Meissner:** There is a 5% penetration rate at the moment. In the U.K., probably 25% of all classrooms have a whiteboard. By 2012, they expect every single classroom in the U.K. to have a whiteboard. I think we're on the verge in this country of heading in the same direction, because it works. With these products, the technology absolutely has a positive impact on students. As schools try it out, they see that it has a positive result. More schools move from an experimental stage to a full adoption stage.

**K-12:** *Are there different subject levels that seem to be more amendable to whiteboards?*

**Meissner:** It started more with the harder disciplines, the science and math classes. Now, I hear more from English teachers about why they need them. There tends to be a more natural fit with science and math, but it's moving toward the other disciplines as well.

**K-12:** *Your product offerings consist of four hardware products: the SchoolBoard, the SchoolPad and iPanel, and the personal response system. Could you describe them?*

**Meissner:** The SchoolBoard is a large interactive whiteboard. It allows teachers to run their computers and annotate off of any application from the front of the room.

**K-12:** *What is the requirement in terms of the newness of the computer equipment?*

**Meissner:** It would work on Windows 98. On the Mac side you have to have OS-10 or later. The connection to the computer from a board is either as USB cable, a serial cable or a wireless option. In addition to the computer, a projector is needed. We don't sell projectors. They could be as low as \$800. The cost of the board for a

classroom is a bit under \$1,400.

The SchoolPad is a mobile version of the board and weighs about a pound. It allows you to control your computer and annotate on it. The difference is that the teacher is free to walk around and engage the students at their seats. They can also pass the pad to students and let them do activities. The price is \$497.

Between those two products, we sell about three or four times more SchoolPads than boards. Most teachers like that freedom that the pads supply. It's a presentation style choice: standing up in front of the room and focusing the students on you and the materials you're presenting, or floating around the room and engaging with the students. In either case, it's oriented toward large-group instruction.

The iPanel is an interactive monitor. It's used mostly in a university hall lecture set-up, but sometimes it's used in K-12.

**K-12:** *Does it replace the overhead projector?*

**Meissner:** The output of the iPanel is probably going to go to a projector and then project on a huge screen. It provides something visually bigger than the whiteboard, but with the annotation tools and the power it delivers for teaching a lesson. The price is \$1,315.

The next product is our student response system, which allows the teacher to get instant feedback from students. You see it used in a couple of different ways. One is to get a sense of whether or not the student gets the concept, because the student feedback is instant. It gets all the students to think about the question. Typically, most students will wait until somebody else is called on, but with a response system, they actually think about what the question is and about their answer. They're far more actively engaged in what's going on in the classroom. It's also used for administering tests and it speeds up the process and reduces the amount of work a teacher has to do.

**K-12:** *Is there any training included with the*

*hardware sale or is it self-explanatory?*

**Meissner:** We sell through resellers across the country and that's usually one of the services they provide. We also provide tutorials on the web site, as well as free training online.

**K-12:** *Who are the resellers?*

**Meissner:** The majority are in the A/V business. They're selling the projector to go along with the board or the pad. We have others who are more curriculum-oriented and sell our products as an adjunct to their curriculum. Adams Learning is one of them. With our response system for higher education, we partnered with quite a few of the book publishers. They actually promote our response system as part of their book sales.

**K-12:** *How big is your business going to get in the U.S.? Do you foresee saturation in every classroom in the near future?*

**Meissner:** I think it will soon be a pretty standard-issue item in 75% of U.S. classrooms.

**K-12:** *Isn't that a bigger investment than schools so far have been willing to make in technology for the classroom?*

**Meissner:** To some extent, you're right. But what I'm seeing is more districts doing it on a larger scale. We've been in the business for 30 years selling systems that use the same basic technology used in our whiteboards to engineering companies. Many of those systems sold in 1975 are still in use. Whiteboards have far longer shelf lives than computers.

**K-12:** *A lot of the emphasis now, especially in the earlier grades, is on individualizing instruction? Does your technology address that concern?*

**Meissner:** Yes. Teachers use the response sys-

tem to help support that. They may take a generalized concept in math and then look at the individual student responses and quickly determine what help is needed for different students. The response system is a very powerful tool to quickly make those determinations on how to individualize instruction.

**K-12:** *Are there any milestones or growth objectives that you can reveal about the company's direction?*

**Meissner:** We have a deep growth plan ahead of us. We're looking to grow at least 30% this year.

**K-12:** *Are you going to branch into new areas or stick to what you're already selling?*

**Meissner:** Most of the growth will be with products we've already got. Over the last five years, we started with the whiteboard and then added the SchoolPad, then the iPanel and then the student response system. Our approach is to offer schools our interactive classroom, which consists of these different tools that are modular in scope so schools can pick what best suits their needs. Sooner or later, additional elements will make sense to them.

**K-12:** *Are there any partnerships you're looking for in the U.S. market?*

**Meissner:** Part of our strategy is to partner with various suppliers for different purposes. Our partnerships with book publishers have been beneficial to us and them for providing added value for university professors. We also seek partners to make content more useful for the interactive whiteboard. We're not a content company per se, but we would partner with companies to help leverage their content.

**K-12:** *Do you see education as a slow-growth market or will there be some spikes of growth?*

**Meissner:** Everybody's saying they have no money, but when you have products that have a positive impact on education, people can find the money. Not only did our company grow substantially last year, the whiteboard industry as a whole is also growing rapidly.

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the public library, school, retail and consumer channels. HCC said the public library channel reported a 12.6% sales growth for the year. (Recorded Books represented 68% of sales.)

Medical education sales rose by \$7.1 million to \$26.3 million for the year, reflecting sales from the newly acquired Scott Publishing and CMEinfo product lines.

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