

Anspear Publishing – Digital Disruption



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Executive Summary

The publishing industry is undergoing significant change in light of digital disruption. Organisations such as Pearson Publishing are transforming their business models in a proactive approach to take advantage of digital trends. This report will assess Pearson Publishing as they transform into Anspear Publishing, with the mission to “Transform the Business of Learning”. Pearson reported an 8.5 decrease in revenue between FY 16/17; analysing porters value chain suggests that Anspear are adding value through digital transformations and gaining competitive advantage through innovating technologies which can be marketed to schools.



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1.0 Introduction

1.1 Company Overview

Anspear Publishing is a technology and publishing which powers core curriculum courses for children, distance learning degrees, language learning, vocational training and CPD through its newly developed apps and interface (Anspear, 2019).

“Transform the Business of Learning”

Anspear’s mission is to transform the business of learning and to do that, Anspear uses mobile technology to improve learning outcomes and help businesses grow. Anspear is the product of a complete rebranding and change of strategy of Pearson Education, an international education and media company delivering content primarily through books and physical copies of learning materials (MarketLine, 2019). Pearson reported revenues of GBP4,129 million in FY 2018, a decrease of 8.5% over FY 2017 (MarketLine, 2019). Pearson’s total revenue over six years is depicted in figure 1 below:

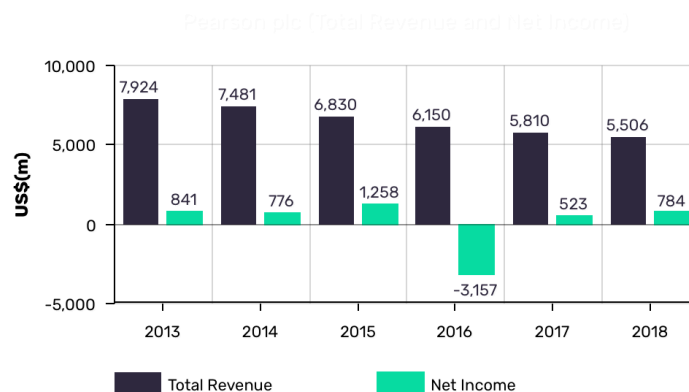


Figure 1 - Total Revenue and Net Income - Pearson (MarketLine, 2019).



The decline in revenue may have been a driver why Pearson digitally transformed and rebranded to Anspear; CEO John Fallon cited Pearson (2019) explains that “we’ve changed our business model to deliver affordable, convenient and personalised digital materials to students. Our digital first model lowers prices for students, and, over time, increases our revenues”. 62% of the company’s revenue now comes from digital enabled products and services (Pearson, 2019).

1.2 Digital Disruption

As stated by Skog et al. (2018:431), the concept of digital disruption is “often framed as a type of environmental turbulence induced by digital innovation that leads to the erosion of boundaries and approaches that previously served as foundations for organising the production and capture of value” this suggests that strategies that seize new market opportunities need to be developed to replace the eroded approaches (Oliver, 2018). Those organisations which have taken advantage of digital capabilities are often referred to as ‘digital disruptors’ and there are four elements which subsidise a digital disruption (Hill, 2017), depicted in table one below:

Four elements of digital disruptions	
Business	Market Development, Pricing, Delivery, etc.
Technology	Invention, Design, Usage, etc.
Industry	Processes, Standards, Methods, Customers, etc.
Society	Culture, Habits, Movements, etc.

Table 1 - Four Elements of digital disruptions (Hill, 2017)



2.0 Internal Analysis

2.1 Value Chain Analysis

To examine activities an organisation which may lead to recognising sources of competitive advantage the value chain can be used to segment a company into strategically relevant activities to better understand costs and recognise potential sources of differentiation (Barnes, 2001). Porter cited Barnes (2001:57) states that “it is necessary to define a firm’s value chain for competing in a particular industry” to strengthen the significance of the value chain in a climate of ‘big data’, companies can integrate the information they capture during each stage of the value chain to be able to ‘see’ value chains from end to end with enhanced data models – the virtual value chain includes information gathering, organising, selection, synthetisation and distribution (Rayport and Sviokla, 1995). The generic value chain is depicted in figure two. This model was chosen to provide the systematic analysis of Pearson/Anspear as it is a practical tool for diagnosing competitive value creation, especially when the publishing industry is undergoing change in light of digital disruption (Ness, 2018).

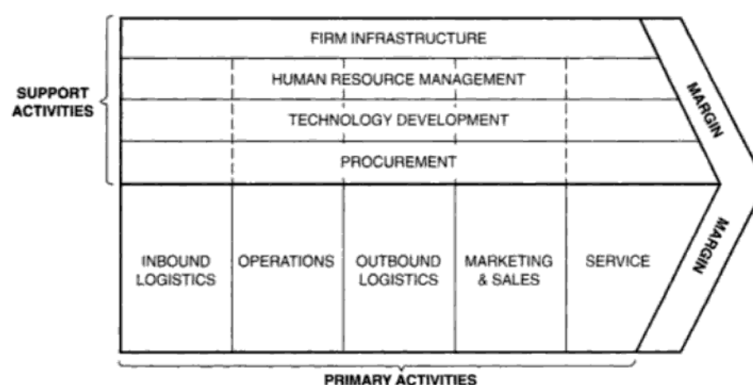


Figure 2 - Generic Value Chain (Porter cited Barnes (2001:52))



The value chain can also be adjusted to reflect the changes in education publishing in light of digital disruption, Tian and Martin (2013) suggest replacing the primary activities with the following processes: creation & selection, development & access, aggregation, search & discovery and authority & relevance fulfilment. Tian and Martin (2013:21) states that “these essentially conform to Porter’s originals but are more appropriately labelled... as educational publishing is clearly moving beyond traditional parameters”.

2.1.1 Primary Activities

2.1.1.1 *Inbound Logistics (Creation and Selection)*

Anspear’s new digital strategy focuses on partnering with schools, universities and businesses for them to share learning information in any format. Data collection is now coming directly from the customer in raw format. This new format creates value, as Anspear offer a cost-effective service payable through revenue share; which favours subscription rather than one off cost to allow application development and so on (Pearson, Anspear’s predecessor was a traditional publisher in physical format). A relationship is created straight away with the customer (AnspearB, 2019).

2.1.1.2 *Operations (Development & Access)*

Pre-digital transformation, Anspear (then Pearson) operated solely in the education and consumer publishing markets to provide educational materials. The company has some involvement in online learning channels; however, the core business was around hard copy books. Pearson sold products across 70+ countries (MarketLine, 2019). The company is currently expanding through partnerships and diversification –



offering artificial intelligence led products all over the globe. However, exchange rate fluctuations, competition and changes in government funded may impact operations (MarketLine, 2019); for instance, the government is focusing on digital solutions in schools, education technology is due to be worth over £3bn by 2020 (Vedrenne-Colquet, 2017). This elucidates why during transformation, Pearson reduced its share in Penguin Publishing and sold of its stake in The Economist – to focus on penetrating the digital market (Roderick, 2017).

2.1.1.3 Outbound Logistics (Aggregation)

Anspear's digital transformation aiming to 'Transform the Business of Learning' (Anspear, 2019), the current model allows instant market deliverance. All materials, tools and applications are online. Anspear is able to use savings from physical publishing to offset the cost of digital development (Fyfe, 2017). Value is added with the compliance of open access publishing; providing such platform may secure government funding to suit the digital strategy.

2.1.1.4 Marketing and Sales (Search & Discovery)

Digital disruptions are organisations that have, according to Hill (2017) "taken advantage of digital capabilities in one form or another to create and drive fundamental shifts in their market... either by design or as a secondary effect". Anspear is contributing to wider shifts in the education publishing sector and fulfilling the Department of Education's strategy to focus on education technology (DoE, 2019). The strategy suggests school procurement should favour technology, thus a demand for Anspear's newly developed digital products.



2.1.1.5 Service (Authority & Relevance Fulfilment)

Pearson has an established position in the global education market, Pearson is expanding its presence through acquiring educational technology companies such as Lumerit – in a \$29m deal (Cowdrey, 2019). Value is created in the new Anspear model through maintenance and development of its digital platform and professional services. Services are primarily provided to schools and other educational institutions. Anspear offer contracts such as a tablet scheme, where a school can buy into a contract to be provided with tablets for their students with pre-loaded Anspear technology (AnspearB, 2019).

2.1.2 Support Activities

Procurement, HRM, technology development and firm infrastructure support the primary operations as listed in 2.1.1.

According to Mostert (2003:16) “the most important point to consider is that in a changing word of publishing it is essential to have a structure and workflow that allow for flexibility”. Traditionally a publishing organisation would have the following departments: Editorial, design and production, marketing and accounts (UNESCO, 1990:09). In the transition from Pearson to Anspear, the organisation would have to go through significant change to allow the changeover to digital format. Table 2 outlines the key characteristics of a digital model.



Table 2 - Key Characteristics of a Digital Publishing Transformation (Callaham and Pasternack, 1999)

	Traditional	Digital age
Suppliers	– Arm's length relationships – Mix of telephone, mail, EDI orders, invoices and payments	– Electronic relationships – Electronic payments, orders and invoices
Intermediaries	– Stand-alone entities, separate processes – Mix of manual and real-time information exchange	– Extended enterprise links, shared processes – Real-time information exchange
Customers	– Some communication with original manufacturer – Mix of voice response, telephone access; hard copy information	– Electronic access to product information, ratings and customer service capabilities

To aid the digital transportation, Pearson/Anspear's Human Resource Management Team may be able to add value through recruitment and training. As technology develops to support its new model, current digital talent may be needed to support the operations.

3.0 Conclusion

The publishing industry is being disrupted by the rise of digital formats. Technology is transforming the way content is delivered to consumers, for example Kindles and mobile applications are slowly replacing hard copy books from publishers. Pearson Education, an academic and CPD publisher has changed its strategy and rebranded into Anspear to gain competitive advantage in the rapidly changing market. Anspear is able to add value throughout the value chain by innovating technology, taking advantage of DoE's strategy change and providing a continuing service to its client base. Pearson has taken every opportunity to transform its business into Anspear, which could be a direct response to the digital disruption of the industry.



4.0 Recommendations

#	Priority	Description
1	HIGH	Adopt an agile working culture
2	HIGH	Seek contracts with schools and the DoE
3	Medium	Develop a subscription service for books

It is recommended that Pearson/Anspear adopt an agile working culture to allow them to quickly adapt in the rapidly changing digital market. Agile working with focus on continuous change leadership may better equip the firm for future market changes. It would also be beneficial for Anspear to seek contracts with schools before its competitors, as the DoE's procurement strategy is focusing on EdTech. Recommendation three suggests that Anspear develop a subscription service for its consumers, this will support the movement to Open Access journals and allow Anspear to push new products out quickly.



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Video Presentation Link:

<https://youtu.be/8VC21x8Cwjc>

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