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9B17M138

ivey publishing: making a case for paying the price

Brent Beal and Karen MacMillan wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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Brenda Vouvalidis, sales team leader at Ivey Publishing, dialed the number of Roland Flaxly, a business professor at a university in Vermont.[[1]](#footnote-1) When Vouvalidis introduced herself, Flaxly seemed to recognize her name; she took that as a good sign. “Maybe this will be an easy call after all,” Vouvalidis thought, daring to get her hopes up.

“Yes, that’s right, we talked a couple of months ago,” Vouvalidis confirmed. “You were looking for a human resource case for your course pack, something that dealt with conflict resolution, if I recall correctly,” she continued. She vaguely remembered the conversation; Flaxly had wanted some help finding material for one of his classes. “I’m calling because you indicated an expected enrollment of about fifty students, but based on what I can see on my end, only seven students have purchased the course pack,” Vouvalidis said carefully, as she looked at his account information on her computer screen. She was following her usual script for this kind of call.

“I think I’ve got about sixty students in the class, if you can believe that,” Flaxly responded, his tone jocular. He continued with a chuckle, “I have my hands full. But I don’t think there’s a problem, I’m sure students are getting copies from each other; they’re pretty resourceful.”

Vouvalidis leaned back in her chair and looked up at the ceiling as she stifled a groan. Did he really think breaking copyright law was funny? Maybe this was not going to be an easy call after all.

“It’s not that we’re worried that students don’t *have* the case,” Vouvalidis responded tactfully. “We’re concerned that they didn’t get it *from us*. We—Ivey Publishing—do our best to keep prices as low as possible, but if students don’t purchase the case, it makes it difficult for us to continue producing new cases,” she explained, careful to keep her tone conversational and friendly. She made herself stop talking and waited for a response.

The silence on the phone stretched out. She leaned back in her chair. Based on experience, Vouvalidis knew that what Flaxly said next would likely indicate how the rest of the call would go.

“Listen, these students pay enough for their education. I’m not going to ask them to pay more money,” Flaxly said, breaking the silence, his tone as flat as a punctured tire. “We’ve bought dozens of cases from you over the years, so frankly, I think you’ve gotten your fair share.” Before Vouvalidis could reply, Flaxly curtly insisted that he needed to go, said goodbye, and ended the call.

Vouvalidis sighed, took a sip of her coffee, and shut her eyes for a moment. She preferred calls that ended in a startled and concerned reaction by the instructor, accompanied by promises to encourage students to purchase cases (rather than share them). That was the ideal outcome. That did not always mean every student would comply, but it was something. She glanced at her call list—she had six more calls to make.

“These calls aren’t going to fix things,” she thought. “They may help in the short term, but we can’t keep doing this. At least, I can’t.” She knew that Matt Quin, Ivey Publishing’s director, felt the same way. Two weeks before, he had asked her to come up with a more comprehensive long-term action plan to deal with copyright issues. “What can we do?” she asked herself. “We have to get people to pay for the products we provide.” Quin had given her a month to come up with a draft of an action plan. “I need to get to work on it,” she told herself, “but where do I start?”

Ivey Publishing Background

Ivey Publishing was a global publisher and distributor of business cases, second only to Harvard Business Publishing in volume and reputation. It was affiliated with the Ivey Business School, a premiere business school at Western University in London, Ontario, Canada. Part of Ivey Publishing’s mission was to help further the reputation of the business school, but it was so successful that it was actually better known than the school itself in some circles. It published cases written by Ivey Business School faculty and accepted cases from authors external to the school; these cases were vetted by Ivey Business School faculty before they were accepted in Ivey Publishing’s case catalogue. Both Ivey Business School faculty and outside authors were paid a 15 per cent royalty on the sales of their cases.

Ivey Publishing had over 8,000 products in its own catalogue and had negotiated licensing and distribution rights for another 23,000 products from other case providers, including Harvard Business Publishing, the North American Case Research Association, Darden Business School, and many other suppliers from around the world. Ivey Publishing was a non-profit organization, but it was expected to be self-sustaining. Although a major player in the business case market, and arguably the largest and most well-known case distributor outside of the United States, as of early 2017, Ivey Publishing functioned with only 19 employees.

Ivey Publishing was originally established as a small case support office for the business school at Western University. Its primary purpose was to coordinate the arrangements for ordering textbooks and assembling and printing course packs for the school’s faculty. This included obtaining cases, articles, and other readings that would be needed throughout a course. Ivey Publishing also handled the registration of cases written by faculty members. By 1972, there were enough cases registered to put together the first case bibliography. By the early 1990s, an agreement was reached with Harvard Business School to distribute Harvard cases and Harvard Business Review reprints in print format throughout Canada, and steps were taken to better position the office to market its products to instructors outside of Western University. In 1995, a program was started to accept cases written by its former doctoral students⎯the first time that cases written by individuals who were not Ivey faculty were accepted. In 1997, it officially took on the name Ivey Publishing.

Over time, Ivey Publishing expanded its catalogue by publishing more cases and negotiating distribution rights to additional case collections. Instructors at any institution worldwide could access Ivey Publishing’s catalogue and select one case or a whole course pack. Initially, Ivey Publishing printed and bound the cases or course packs and mailed them out for distribution at the home school. In most cases, universities paid for the materials in advance and were reimbursed when students bought them through the campus bookstore. The revenue that was generated was used to fund Ivey Publishing’s continued operation and to pay case authors for their work.

Ivey Publishing supplemented its case offerings with a number of other free services. If an instructor was using a well-known textbook, Ivey Publishing could often provide a prepared list of cases that would complement the textbook’s content. In addition, instructors could get individualized help from a “case concierge” to find cases that best matched their instructional objectives.

Ivey Publishing worked to support case authors, particularly those new to case writing. Its website offered free support materials to anyone who wanted to write a case or use one in class. Knowledgeable staff often worked directly with authors, providing feedback, advice, and encouragement during the case-writing process.

Additionally, Ivey Publishing regularly sent representatives to various academic institutions and conferences in North America and beyond, not only to promote their cases but also to talk to people about the advantages and processes of the case method.

Environmental Changes

The business environment for Ivey Publishing began to change noticeably in 2012. Analog methods of information storage and transfer fell out of favour as the digital revolution took hold.[[2]](#footnote-2) Customers started to prefer digital products that could be accessed instantaneously. Ivey Publishing responded by redesigning its website to allow easy online browsing and purchasing.

Demand for printed materials plummeted. Electronic copies were cheaper and easier to obtain. Perhaps more importantly, the 2008 financial downturn motivated many universities to look for ways to reduce costs. It became common for institutions to ask students to order (and pay for) cases and course packs directly before downloading a digital version. For Ivey Publishing, this meant a large increase in the number of registered users on its website, and a corresponding decrease in the value of the average transaction.[[3]](#footnote-3) Instead of an instructor or faculty assistant purchasing course packs for a particular class, students would be emailed a link that instructed them to go to Ivey Publishing’s website to purchase and download the cases or course packs on their own.

Looking back, Vouvalidis could not help but conclude that Ivey Publishing had done a good job of adapting to changing environmental conditions and meeting the needs of instructors, students, and institutions. It was becoming increasingly clear, however, that its digital distribution model had significantly reduced its ability to generate revenue. Up until 2012 or 2013, for example, when Ivey Publishing assembled and shipped a course pack, it could count on being paid. Hard-copy cases and course packs could be copied, but access to commercial copiers was a constraint and it was often more expensive for individuals to copy the material than to purchase it. When material came in a digital format, it became cheaper to make an unauthorized copy, and this practice started happening more often. From what Ivey Publishing could determine, less than half of the students in a typical class paid for the case materials they used.

“Our distribution model, in terms of actually getting paid, is a leaky bucket,” Vouvalidis thought. “We do a great job of delivering value—of filling up the bucket—but by the time we get to the bank, almost all the water is gone.”

The Digital Revolution: Other Industries

The digital revolution had been an equal opportunity disrupter. All of the creative industries, including music, film, publishing, video games, and computer software, had had to confront significant challenges in the nascent digital marketplace.

The evidence was everywhere. Ten years after the debut of Napster, a pioneering peer-to-peer file sharing service that allowed users to share their music libraries (in addition to other digital content), global recorded music sales had declined by 50 per cent.[[4]](#footnote-4) The International Federation of the Phonographic Industry estimated that more than 40 billion files were illegally shared in 2008, suggesting a piracy rate of around 95 per cent.[[5]](#footnote-5) It had become harder for people who made movies and television shows to make money. Revenue from DVDs dropped 27 per cent within three years of the introduction of the BitTorrent file sharing protocol.[[6]](#footnote-6)

The digital revolution did not just hurt the creators. Consumers could be inadvertently hurting themselves. Some suggested that piracy had the effect of reducing the amount and quality of creative work produced.[[7]](#footnote-7) For example, as the number of illegal downloads increased, producers in the film industry came under increasing pressure to focus on box office success because movie theatres represented a distribution channel that could be shielded from copyright infringement (i.e., the “theatre” experience was physical in nature and could not be easily replicated in a strictly digital environment). Some argued that this led to an emphasis on formulaic blockbusters, especially remakes and sequels, leaving consumers with limited, bland choices.[[8]](#footnote-8) Content that was experimental or that represented the perspective of smaller demographics or interest groups became unsustainable. People with an original idea did not get to make their movies.

There were indications that something similar had happened in the music industry. Observers argued that television shows such as The Voice and American Idol were now setting the norms that defined industry success.[[9]](#footnote-9) This meant that if an act was not palatable to a very broad number of listeners, it was pushed aside. Artists who pushed the envelope or had a new sound were more likely to get lost or to be ignored. As evidence, releases by new artists fell by 30 per cent in France in 2008.[[10]](#footnote-10) Entry- or middle-level musicians were among those hardest hit.[[11]](#footnote-11) According to the U.S. Bureau of Labor Statistics, there were 45 per cent fewer musicians working in 2012 than in 2002. Although the digital revolution had made it easier to make music and to get it “out there,” it seemed it was becoming harder for musicians to actually make a living.

These trends highlighted the tension that existed between economic markets and creative artists. When there were few legitimate distribution channels, the outlets that did exist had a lot of leverage to determine how and at what price goods were sold.[[12]](#footnote-12) For instance, YouTube was a market leader in video streaming, and it could determine how much it paid content owners. As an example, guitarist Raymond Pepperell of the punk band Dead Kennedys complained that although the band’s videos had been watched on YouTube approximately 14 million times, the band members had received only a few hundred dollars from the company.[[13]](#footnote-13) The band had no idea how much YouTube made off of its videos. There was not much the band could do about it⎯they could not switch to the other YouTube, because another one did not exist.

Content owners, corporations, and lawmakers responded to widespread copyright infringement in a number of ways, including instituting penalties, creating barriers, making it easier to access material legally, raising awareness, and using technical means. As an example, France introduced an antipiracy law in 2009 that enabled courts to penalize illegal downloaders. As consumers became aware of the law and as officials sent out warnings, piracy appeared to drop. Digital music sales increased by about 25 per cent.[[14]](#footnote-14) Thus, legitimate consumption seemed to increase when people had both an awareness that unpurchased music downloads were illegal and an expectation that penalties would follow.[[15]](#footnote-15) Another tactic was to shut down the sites that offered access to pirated content. Some researchers had found that when there were many options for consumers of pirated material, blocking one site would have little effect. However, simultaneously blocking most of the sites could reduce piracy.[[16]](#footnote-16) In other words, barriers could work, but they had to be significant to affect usage. Consumers would not usually put up with excessive inconvenience to access free material. Another way to clamp down on piracy was through the use of technologies that encrypted content and restricted access to authorized users.[[17]](#footnote-17) This method had not stopped determined pirates, but it had served as a barrier that some did not want to cross.

An additional strategy that was used to reduce piracy was to make material easy to access legally. For instance, when certain television shows were made available for purchase on Hulu, an American video on demand service, piracy of that content dropped by 20 per cent.[[18]](#footnote-18) Other parties also became involved in efforts to combat piracy. Some Internet providers sent warnings to their customers when they detected illegal downloading. Search engines played a big role in directing traffic away from illegal sites; responding to pressure from creative industries, Google took steps to reduce piracy by making sites that seemed to be involved in copyright infringement less likely to appear in search results and by blacklisting these sites.[[19]](#footnote-19)

Video games were somewhat resistant to copyright infringement, mostly due to the technical capability needed to hack game consoles.[[20]](#footnote-20) Still, the games industry developed some unique strategies to reduce piracy, for instance, by offering monthly subscriptions and value-added services for legitimate buyers.[[21]](#footnote-21) Online gaming forums also had discussion threads that focused on the ethics of piracy, a debate that had been mostly missing from other creative industries.[[22]](#footnote-22)

Where to Start

Vouvalidis had six more calls to make, but she was still thinking about the last one. Flaxly had said he had sixty students in the course and that only seven had purchased the course pack. His class was a perfect example of widespread copyright infringement.

She thought about what had been done so far to address this problem. Ivey Publishing had experimented with digital rights management (DRM) systems. This involved using software to restrict digital access, either by restricting access to the file itself or by restricting the ability to copy or print the file once it had been accessed. Although DRM systems were designed to prevent unauthorized file sharing, it was not clear that this objective had been achieved. Various problems and software glitches had proven to be an ongoing annoyance to both students and faculty, and Ivey had been forced to devote additional resources to customer support. Because no one—neither students nor faculty—was happy with these efforts or seemed to be benefitting from them, Ivey had discontinued its use of DRM technology and had instead elected to focus on making its website more intuitive and easy to use. The easier it was for students to set up an account, pay for, and download cases, the less incentive there would be for them to engage in unauthorized file sharing. This effort seemed to have a positive effect on case sales, but it was difficult to tell. Ivey Publishing planned to experiment with audio cases in an effort to increase the value of its services for students.

In some instances, Ivey Publishing had reached out to business school deans to talk to them about particularly egregious cases of copyright infringement. Institutions could be cut off from buying additional cases from Ivey Publishing, but that would only happen after serious and careful discussion between Vouvalidis, Quin, and the regional publishing representative.

“Listen, these students pay enough for their education,” Flaxly had said. “He’s right; students do pay a lot for school,” Vouvalidis thought. But she wondered if he would admit that a case was not exactly a high-ticket item; a case was about the same price as a specialty coffee. In her opinion, cases were a real bargain, especially compared to textbooks.

“Maybe I should frame this as a question of value creation and our ability, as an organization, to charge for this value,” Vouvalidis thought. “In other words, maybe I should be thinking in terms of value capture.”[[23]](#footnote-23) From this perspective, the problem was more a financial than an ethical one. Ivey Publishing created economic value by making it possible for instructors to quickly and easily find appropriate business cases, and to then use those cases in the classroom without having to negotiate copyright permissions. Ivey Publishing handled all of that seamlessly. What was that service worth? The service that Ivey Publishing offered might be valuable, but if the selling price was too low, Ivey Publishing would not be able to cover its costs. If too many students were able to acquire cases for free, Ivey Publishing would not be able to continue to operate, regardless of the value of its services.

As she looked at the list of the day’s calls, Vouvalidis realized that these conversations did not have much to do with abstract ethical discussions about copyright law or theoretical approaches to value capture. The calls represented a concrete attempt to persuade those with whom Ivey Publishing had the most direct working relationship—instructors—to help Ivey Publishing improve its revenue stream. She was attempting to persuade instructors to use their influence to help change the behaviour of students.

“Where should I start?” Vouvalidis asked herself. “Should I focus on ethics and copyright, a strategic assessment of different ways to increase value capture, or with a more practical focus on how to better influence the behaviour of different stakeholder groups, particularly university faculty and students?” Although she had not thought things through yet, she suspected that these approaches were interrelated.

“It probably doesn’t matter where I start; I just need to jump in,” she thought. She opened a blank Word document and starting outlining a presentation for Quin.

She was done making calls for the day.

1. Name and location have been changed. [↑](#footnote-ref-1)
2. Brent D. Beal and Daniel B. Marin, “Confronting the Information Age: Strategy, Copyright, and Digital Intellectual Goods,” *Business Horizons* 46, no. 4 (2003): 21–31; Martin Hilbert and Priscila López, “The World’s Technological Capacity to Store, Communicate, and Compute Information,” *Science* 332, no. 6025 (2011): 60–65. [↑](#footnote-ref-2)
3. In early 2017, Ivey Publishing announced on its website that it had registered its 200,000th user, Rick Laferriere, a lecturer at Swinburne University of Technology in Australia. [↑](#footnote-ref-3)
4. Stan Liebowitz, “The Impacts of Internet Piracy,” in *Handbook on the Economics of Copyright: A Guide for Students and Teachers,* ed. R. Watt (Northampton, MA: Edward Elgar, 2014), 225–240. [↑](#footnote-ref-4)
5. “IFPI Digital Music Report 2009: Key Statistics,” International Federation of the Phonographic Industry, January 2009, accessed February 9, 2017, www.ifpi.org/content/library/DMR2009-key-statistics.pdf. [↑](#footnote-ref-5)
6. Brett Danaher, Michael D. Smith, and Rahul Telang, “Copyright Enforcement in the Digital Age: Empirical Evidence and Policy Implications,” *Communications of the ACM* 60, no. 2 (2017): 68–75. [↑](#footnote-ref-6)
7. Anita Elberse, *Blockbusters: Hit-making, Risk-taking, and the Big Business of Entertainment* (New York, NY: Henry Holt, 2013). [↑](#footnote-ref-7)
8. Ibid. [↑](#footnote-ref-8)
9. Stephen Carlisle, “Copyright Piracy and the Entertainment Industries: Is the Effect Massive or Negligible?,” Nova Southeastern University, August 13, 2014, accessed February 7, 2017, http://copyright.nova.edu/copyright-piracy-entertainment-industries/#return-note-587-15. [↑](#footnote-ref-9)
10. “IFPI Digital Music Report 2009: Key Statistics,” op. cit. [↑](#footnote-ref-10)
11. “45% Fewer Professional Working Musicians since 2002,” The Trichordist, May 21, 2003, accessed February 9, 2017, https://thetrichordist.com/2013/05/21/45-fewer-professional-working-musicians-since-2002. [↑](#footnote-ref-11)
12. Eric Priest, “Copyright Extremophiles: Do Creative Industries Thrive or Just Survive in China’s High-Piracy Environment,” *Harvard Journal of Law and Technology* 27, no. 2 (Spring 2014): 469–541. [↑](#footnote-ref-12)
13. Laura Sydell, “YouTube Shares Ad Revenue with Musicians, but Does It Add Up?,” NPR, September 27, 2012, accessed February 10, 2017, www.npr.org/sections/therecord/2012/09/27/161837316/youtube-shares-ad-revenue-with-musicians-but-does-it-add-up. [↑](#footnote-ref-13)
14. Danaher, Smith, and Telang, “Copyright Enforcement in the Digital Age: Empirical Evidence and Policy Implications,” op. cit. [↑](#footnote-ref-14)
15. Ibid. [↑](#footnote-ref-15)
16. Ibid. [↑](#footnote-ref-16)
17. Adam Denton, “GSR 2011 Discussion Paper: Intellectual Property Rights in Today’s Digital Economy,” ITU, October 7, 2011, accessed March 8, 2017, www.itu.int/ITU-D/treg/Events/Seminars/.../05-Intellectual-property-E.pdf. [↑](#footnote-ref-17)
18. Brett Danaher, Michael D. Smith, and Rahul Telang, “The Effect of Piracy Website Blocking on Consumer Behavior,” SSRN, November 2015, accessed February 20, 2017, https://ssrn.com/abstract=2612063. [↑](#footnote-ref-18)
19. Katherine Oyama, “Continuing to Create Value While Fighting Piracy: An Update,” Google, July 13, 2016, accessed February 9, 2017, https://blog.google/topics/public-policy/continuing-to-create-value-while?. [↑](#footnote-ref-19)
20. Denton, op. cit. [↑](#footnote-ref-20)
21. Ibid. [↑](#footnote-ref-21)
22. Joe Karaganis, ed. Social Science Research Council, 2011, “Media Piracy in Emerging Economies,” Social Science Research Council, March 2011, accessed February 9, 2017, www.ssrc.org/publications/view/C4A69B1C-8051-E011-9A1B-001CC477EC84. [↑](#footnote-ref-22)
23. See, for example: Cliff Bowman and Véronique Ambrosini, “Value Creation versus Value Capture: Towards a Coherent Definition of Value in Strategy,” *British Journal of Management* 11, no.1 (2000): 1–15. [↑](#footnote-ref-23)