

ACTS MEETING

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K-12 SCHOOL MARKET OUTLOOK

Education Market Research

www.educationmarketresearch.com

Dr. Robert M. Resnick

bob-resnick@ed-market.com

K-12 Market Size & Growth Rate

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- * Technology Products
- * Instructional Materials: Textbooks
- * Instructional Materials: Supplements
- * Trade Books, Periodicals, Tests, etc.

K-12 Market Size & Growth Rate: 2006-07 School Year

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(Millions of dollars)

MARKET SEGMENT	2006-07	% INCREASE
Technology Products	\$6,950	+4.6%
Instructional Materials: Textbooks	\$3,185	+4.0%
Instructional Materials: Supplements	\$2,140	-3.1%
Trade Books, Periodicals, Tests, etc.	\$2,777	+4.2%
TOTAL	\$15,052	+3.2%

Source: Education Market Research

K-12 Market Size By Grade Level: 2006-07 School Year

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(Millions of dollars)

GRADE LEVEL	TEXT MKT. SIZE	SUPP. MKT. SIZE	TOTAL
Pre-K - 5	\$1,427	\$2,219	\$3,646
6-8	\$792	\$1,233	\$2,025
9-12	\$966	\$1,465	\$2,431
TOTAL	\$3,185	\$4,917	\$8,102

Source: Education Market Research

(Millions of dollars)

SUBJECT	TEXT MKT. SIZE	SUPP. MKT. SIZE	TOTAL
Reading	\$864	\$1,356	\$2,220
Language Arts	\$377	\$595	\$972
Mathematics	\$686	\$1,104	\$1,790
Science	\$375	\$580	\$955
Social Studies	\$311	\$479	\$790
All Other	\$572	\$803	\$1,375
TOTAL	\$3,185	\$4,917	\$8,102

Source: Education Market Research

(Millions of dollars)

MARKET SEGMENT	2007-08	% INCREASE
Technology Products	\$7,228	+4.0%
Instructional Materials: Textbooks	\$3,344	+5.0%
Instructional Materials: Supplements	\$2,290	+7.0%
Trade Books, Periodicals, Tests, etc.	\$3,027	+9.0%
TOTAL	\$15,889	+5.6%

Source: Education Market Research

Current Role Of The Basal Reading Textbook

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- * Spring 2007 survey of 20,000 educators
- * Classroom teachers, Reading teachers, Principals, Curriculum supervisors, K-8
- * Majority (73.2%) still have a basal Reading series
- * 29.4% “follow very closely”
- * 43.8% “pick and choose parts to use as needed”
- * 25.3% “do not use a basal Reading series”

Current Role Of The Basal Reading Textbook

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- * 73.2% usage in 2007
- * 74.9% usage in 2004
- * 75.4% usage in 2002
- * 81.5% usage in 2000

Current Role Of The Basal Reading Textbook

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USAGE LEVEL	TOTAL	OPEN	ADOPTION
Have basal, pick and choose	43.8%	34.8%	48.4%
Have basal, follow very closely	29.4%	25.9%	31.2%
Do not use a basal	25.3%	36.8%	19.5%

Source: Education Market Research

USAGE LEVEL	CA	TX	FL	NY
Have basal, pick and choose	31.6%	57.9%	47.4%	18.4%
Have basal, follow very closely	62.2%	15.0%	38.2%	18.4%
Do not use a basal	6.1%	25.7%	13.2%	57.1%

Source: Education Market Research

CHOOSE SAME PROGRAM AGAIN?	TOTAL	OPEN	ADOPTION
Yes	66.0%	64.7%	66.4%
No	34.0%	35.3%	33.6%

Source: Education Market Research

CHOOSE SAME PROGRAM AGAIN?	CA	TX	FL	NY
Yes	74.7%	68.1%	61.9%	50.0%
No	25.3%	31.9%	38.1%	50.0%

Source: Education Market Research

Current Role Of The Basal Mathematics Textbook

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- * Spring 2008 survey of 18,000 educators
- * Classroom teachers, Math teachers, Math Chairs, Curriculum supervisors, K-12
- * Majority (92.7%) still have a basal Mathematics series
- * 42.9% “follow very closely”
- * 49.8% “pick and choose parts to use as needed”
- * 7.3% “do not use a basal Mathematics series”

Current Role Of The Basal Mathematics Textbook

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- * 92.7% usage in 2008
- * 93.4% usage in 2005
- * 90.4% usage in 2003
- * 94.0% usage in 2001

Current Role Of The Basal Mathematics Textbook

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USAGE LEVEL	TOTAL	OPEN	ADOPTION
Have basal, pick and choose	49.8%	43.1%	53.0%
Have basal, follow very closely	42.9%	48.9%	40.0%
Do not use a basal	7.3%	8.0%	7.0%

Source: Education Market Research

USAGE LEVEL	CA	TX	FL	NY
Have basal, pick and choose	47.8%	69.9%	41.7%	46.4%
Have basal, follow very closely	48.9%	22.6%	55.0%	39.3%
Do not use a basal	3.3%	7.5%	3.3%	14.3%

Source: Education Market Research

CHOOSE SAME PROGRAM AGAIN?	TOTAL	OPEN	ADOPTION
Yes	61.5%	63.3%	60.6%
No	38.5%	36.7%	39.4%

Source: Education Market Research

CHOOSE SAME PROGRAM AGAIN?	CA	TX	FL	NY
Yes	45.8%	61.5%	60.0%	37.5%
No	54.2%	38.5%	40.0%	62.5%

Source: Education Market Research

- * Total K-12 sales will advance in orderly year-to-year fashion in foreseeable future
- * Increasing student enrollment
- * Increasing per pupil expenditures
- * New technologies augment, not replace traditional products
- * Best predictor of future growth is recent past
- * Annual growth in textbook sales in 4-6% range
- * Annual growth in supplemental sales in 7-9% range

K-12 Market Size: Projections Through 2010-11

(Millions of dollars)

MARKET SEGMENT	08-09 Est.	09-10 Est.	10-11 Est.
Technology Products	\$7,517	\$7,818	\$8,130
Instructional Materials: Textbooks	\$3,511	\$3,687	\$3,870
Instructional Materials: Supplements	\$2,450	\$2,622	\$2,805
Trade Books, Periodicals, Tests, etc.	\$3,299	\$3,596	\$3,920
TOTAL	\$16,777	\$17,723	\$18,725

Source: Education Market Research

K-12 Market Growth Rate: Projections Through 2010-11

MARKET SEGMENT	AVERAGE INCREASE, 2007-08 THROUGH 2010-11
Technology Products	+4%
Instructional Materials: Textbooks	+5%
Instructional Materials: Supplements	+7%
Trade Books, Periodicals, Tests, etc.	+9%
TOTAL	+5.7%

Source: Education Market Research