If I Were a Scholarly Publisher

Given the currently dire and highly unpredictable budget environment for higher education, 2010 is a rather frightening time to be a librarian. For the same reasons, this must be an absolutely terrifying time to be a scholarly publisher. Scholarly publishers are looking at libraries right now and seeing what has always been the best and most reliable market for their products suddenly changing into a highly unreliable one. There is very little likelihood that library budgets will grow significantly (if at all) anytime soon; in fact, there is a strong likelihood that they will shrink again next year—in many cases, for the second year in a row. Furthermore, even if budgets begin growing again, it is highly unlikely that they will ever rise to their pre-2008 levels or that libraries will resume buying books the way they did in the past. Traditional library collection development has meant buying large amounts of materials in the hope that those materials will turn out to be what patrons need, but financial constraints are now forcing libraries to move in a more patron-driven and less speculative direction. Having figured out how to do so, most libraries will probably continue to develop their collections this way for some time to come, if not permanently.

To the degree, therefore, that scholarly publishers (a) seek organic growth (either to fulfill their mission or to make shareholders happy) and (b) depend on library sales to get them to their growth goals, they are in serious trouble. But publishers are not stupid. They know this, and they must surely be thinking about their prospects for the future. If I were a scholarly publisher and were trying to figure out my options, I would probably conclude that they are four:

1. **Be satisfied with flat growth, or even moderate declines in profitability** (bearing in mind that some degree of profitability can continue in the long term even if growth stagnates and in the short term even if actual market growth is negative). This is probably not a realistic option for publicly traded publishers. It may be a reasonable short-term option for privately held companies, for nonprofits, and for societies that are not aggressively seeking growth, though continued declines in profitability obviously would not be sustainable in the long term.
2. **Continue seeking vigorous growth in the library market.** This approach seems highly unlikely to yield long-term success, due to the economic reality cited above. However, the constraints on competition imposed by copyright law create both a hindrance and a help to this strategy: on the one hand, if you own a journal or a book outright, no one else can sell your journal or book more cheaply than you; on the other hand, you also cannot undercut anyone else. You can compete with other publishers to attract authors, but you do not have competitors for the final product. In other words, most journals are essentially non-substitutable commodities: although competing titles may technically exist in the marketplace, rarely will a library's customers be equally happy with one or the other. On the contrary, many will want both; canceling one in favor of the other will please some customers and displease others. In an environment in which customers have flat or declining budgets, the only way to both raise prices and increase market share is by persuading libraries to cut other publishers' journals in order to make room for yours. If pursued aggressively, this strategy may yield limited short-term gains. It will not work in the long term, however; the logical endpoint of such a market dynamic would be a situation in which each library subscribes to a single, very expensive journal.
3. **Find a way around libraries into the scholarly marketplace.** This approach could take several forms:
   a. **Marketing and selling journal content directly to faculty, students, and researchers.** Opportunities here will often be limited by buyers' personal means; also, the seller would lose the economies of scale that come with the library's brokerage function, whereby one sale serves thousands of end users. On the other hand, those lost economies might be offset by increased revenue.
   b. **Marketing and selling journal content to campuses through college/university administrators.** Opportunities here will often be defined by administrators' willingness to talk with publishers rather than simply refer them to libraries.
   c. **Branching out into other models of selling, leaving journal subscription sales in libraries as a low-yield but relatively reliable foundation market.**
   d. **Getting out of the journal and scholarly book markets altogether and pursuing different publishing opportunities.**
4. **Provide an information service other than traditional publishing.** As the scholarly information universe has undergone radical change, new opportunities have emerged and will continue to do so. Whereas information was once a relatively scarce commodity, it is now enormously abundant—and abundance brings its own set of challenges. Scholarly publishers might be wise to focus less on the production of additional content and more on the creation of tools that aid in the analysis and organization of content. Web of Science from Thomson Reuters finally has a robust competitor in...
Elsevier’s Scopus, for example, and the scholarly world is a better place for it. Similarly, the ISI impact factor has a recently developed competitor in the Eigenfactor. These are fundamentally healthy developments, and the marketplace will welcome and likely reward similar ones in the future.

Of the four options above, the one that should be of most concern to libraries is the third. Library patrons do not depend on libraries in the same ways they once did. Reference statistics at ARL (Association of Research Libraries) libraries are generally down; circulation statistics are down dramatically. Patrons love library buildings but use them essentially as study halls. It is the broker role that remains an important one for libraries: patrons depend on libraries to buy access on their behalf—access that they would not be able to afford otherwise. That role remains key as long as two conditions obtain:

1. The price of access is too high for the individual
2. Dealing with publishers directly is too much trouble

In the print era, scholarly publishers had the option of lowering access prices for individuals but could do little about the issue of complexity and difficulty: few researchers had the budget or the space to subscribe to and house thousands of journals or millions of pages of database content, and few had the desire to interact commercially with hundreds of individual publishers. In an online environment, physical space is no longer the issue it once was, and it is well within the capabilities of many publishers to implement easy and attractively priced purchase options for individuals.

What might such an option look like? Suppose a university library serves 2,000 faculty and is paying $1,000,000 annually for access to Elsevier’s Freedom Collection. If Elsevier decided to bypass the library and sell access to its Freedom Collection individually to those faculty members, it would have to sell to the entire faculty at an average price of $500 each in order to realize the same revenue—and even then, the lost economies of scale would significantly undercut profits. This seems like an unpromising avenue. However, suppose Nature charges the same institution $6,000 for a site license to its flagship journal. If Nature decided to bypass the library, it would have to sell to the entire faculty at an average price of only $3 each in order to break even. Of course, relatively few faculty members would be interested in a personal subscription, but even if only one in ten were interested (and bear in mind that their interest would rise dramatically if a personal subscription were to become the only way to get access), Nature would still need to charge only $30 per faculty member per year in order to make the same amount of money—and there is every reason to believe that at least some students would be equally interested in a subscription at that price.

There is nothing to stop Elsevier or Nature or any other scholarly publisher from retreating entirely from the library model and reverting to a retail, title-by-title model for faculty and students. This would not be a painless transition for them, but it is not at all clear that they have the option of continuing with business as usual. Likewise, continuing with business as usual is simply not an option for a library experiencing drastic budget cuts. As long as libraries remain the primary customers of scholarly information products, publishers’ fortunes will continue to be tightly aligned with those of libraries. At this point, publishers seem to have little choice: either satisfy themselves with the relatively meager returns that libraries will be able to offer in the future, or find some way to disentangle themselves from the library marketplace. Whether the latter strategy would actually be feasible for most publishers is unclear, but it seems undeniable that the future of scholarly publishing will look very different from its past. The possibility that traditional research libraries will occupy a much smaller space in that future is real, and is one that wise librarians will take seriously now, while there remain time and opportunity to change and adapt.