

# Open Access: sustainable business models & ethical imperatives

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# Journal publishing: a sustainable business

"If we maintain our faith in God, our love of freedom, and superior global air power, I think we can look to the future with confidence."

– General Curtis LeMay, mid-1960s

# Assumptions

- Almost all journals will be e-journals
  - Regardless of business model
  - There will of course be exceptions
- Complex multimedia will be increasingly important
- Even under Open Access models, there will be a role for a small number of paid-for premium titles
- Secondary publishing may also remain paid-for
- Societies are not immune

# Publishing vs communication

- We can get over-involved in debates about publishing
  - It is only one aspect of a wider spectrum of communications
- Self-archiving
- Discovery & navigation resources
- “Deconstructed journal” models
- Communication models demand reciprocity
  - And reciprocity demands....reciprocity

# Ethics

- Ethical levels of profit
  - Somewhere someone will make a "profit" or "surplus"
  - The issue is how much
  - ...and who
- What are profits/surpluses used for?
  - Paying dividends to shareholders
    - This means your pension fund
  - Investing in new development
  - Advancing the aims of a society

# Ethics (Cont.)

- Should we be looking at value-added rather than profit?
  - ...and asking publishers to justify that?
- What is value-added used for?
  - Paying editors
  - Paying staff
  - Profit or surpluses

# Ethics (Cont.)

- The relationship to shareholder value
  - Publicly-quoted publishers find it hard to take a permanent hit on any profitable activity without being hurt in the financial markets
  - Non-quoted are also very dependent on owner attitudes
  - Societies need their surpluses just as much
- The problem may be corporate culture & behaviour, not profit per se

# Sustainability

- Disruption
  - Disruption could destroy the share price of commercial publishers
  - No robust alternative
- Is there a *proven* commercial open access model?
  - \$3 billion ÷ 2 million articles = \$1500/article
  - \$3 billion ÷ 2 million articles = \$2500/article
  - But how long to get there?
- Someone needs to provide capital for development
  - Investment or gift?



# Sustainability (Cont.)

- ALL publishers vulnerable
  - No inherent reason why non-profit publishers should be exempt
- The Corporate Social Responsibility perspective
  - Measuring the social & environmental impact of the business
  - The “licence to operate”
  - Can we separate business models from social responsibility
  - Arguments both ways

# How it might happen

- Christensen's "disruptive innovation" model
- Incumbents produce high-quality products for a demanding market
- New entrants provide a much less complete product
  - But cheaper or faster
- Incumbents ignore or dismiss the new entrants
  - So do their customers
  - They focus on refining/"improving" current offering
  - This is the critical failure
    - Although often right in the short term

# How it might happen (Cont.)

- New entrants build a small base that generates enough cash to improve the product
- Incumbents make "sustaining" (i.e. incremental) innovations to retain customers
- Before long entrants have assembled enough capital and customers to put their tanks on the incumbents' lawns
  - In the end, the industry may be worth a lot less than it once was
  - Far more competitive
  - Harder to generate high levels of profit

# How it might happen (Cont.)

- Revenue per customer reduced, with no compensating additional volume
- The incumbents are sometimes dead but more often badly injured
- Examples
  - Personal computers
  - Japanese cars in the US
  - Digital cameras
  - Printed books

# Impact on publishers

- Depends on speed of transition
  - It doesn't need much to destabilise a business model
    - 90% of low-profit journals would become unviable very quickly if profits reduced elsewhere
- Why would a publisher stay in the game if it can't make attractive enough margins?
  - Are there inefficiencies or unnecessary expenses that could be eliminated to restore profit?
  - Would one outcome of the current struggle be a reduction in management overhead among all publishers?
  - Cash is a good reason for staying in – but still has its limits
  - Responsibility to shareholders as dominant stakeholders

# Impact on publishers (Cont.)

- Possible exit strategies
  - Sale of businesses
    - Defers the reckoning
  - Closure
- “You won't have Nixon to kick around anymore”

# The transition

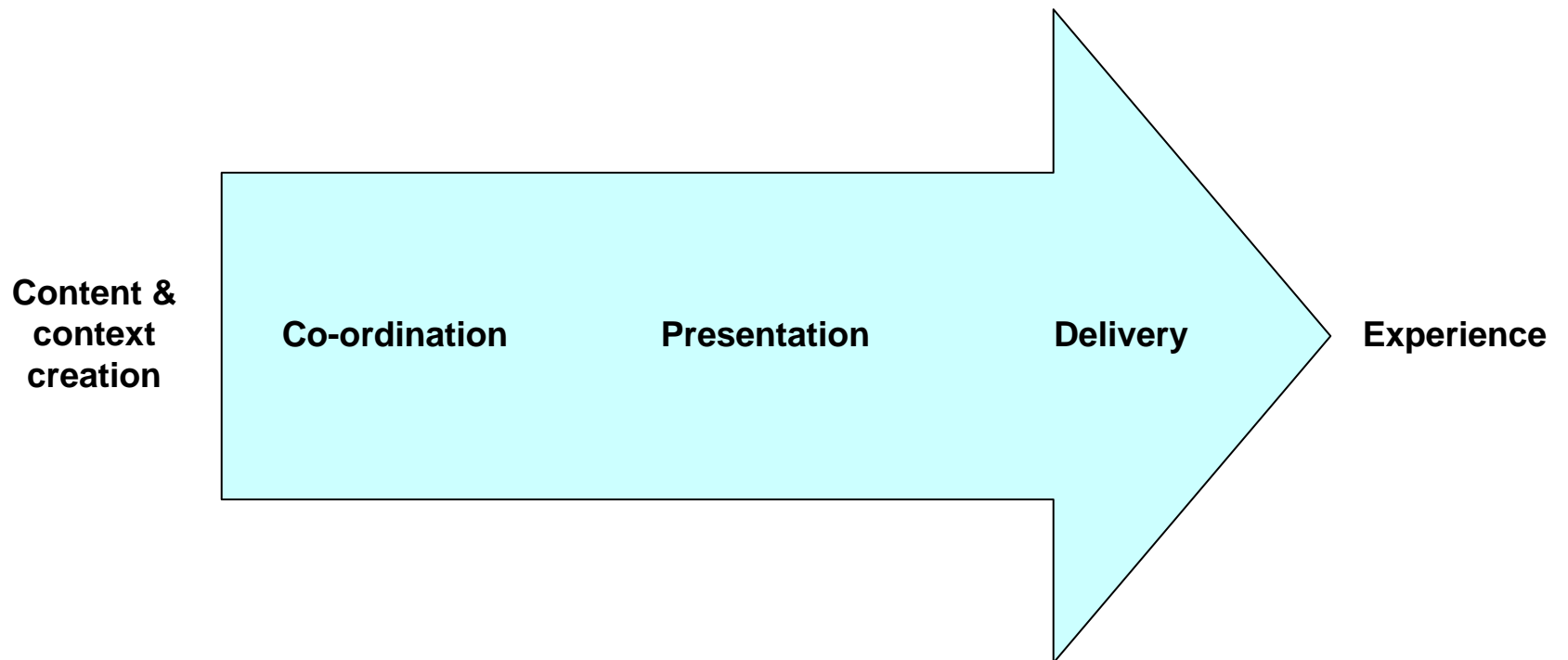
- Open access economic models weak
- Perhaps Open Access is just the catalyst, not the future
- So what is the future?

# Possible outcomes (strategic perspective)

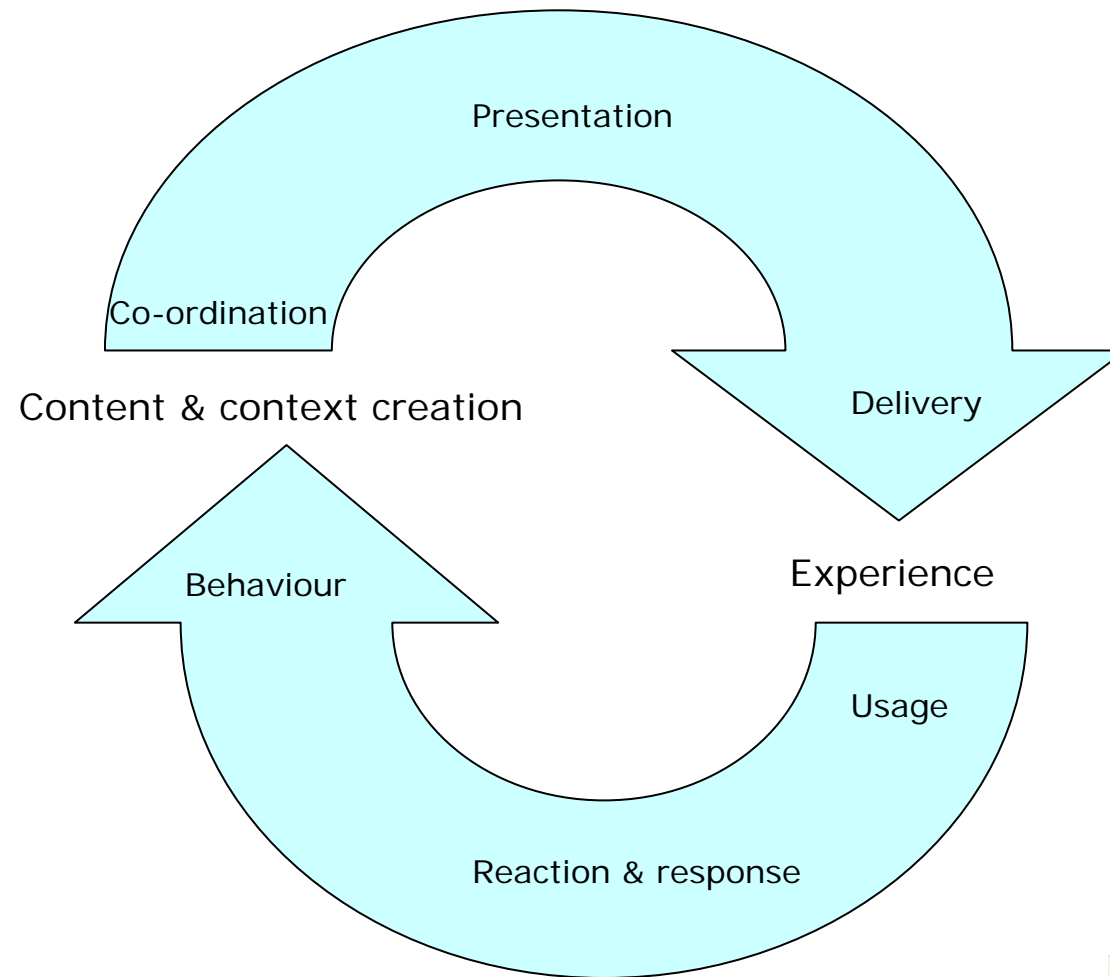
- Stasis
  - Publishers respond to changing demands
    - Prices level off or decline, value for money increases
- Revolution
  - Rapid transition
    - OA publishers target profitable B-list journals
- Evolution
  - Period of co-existence
- Chaos



# A simplified value chain



# Value chains don't work for Open Access



# Implications

- Content & context can be created at many points
- Value can be created at several points
  - ...and can be monetised
- Where should we try to extract financial value?
- Can you “own” or “command” or “control” *any* part of the value ring?
- Should you even try?
- How will you relate to stakeholders?

# Charging for content

- Charge by value
- Charge by bandwidth
- Charge by time
- Charge by satisfaction with outcome
  - I'll pay you for publishing my article *when I get a brilliant RAE assessment or when I get promoted*
- "This article is a gift from your friendly IT supplier"
  - If you watch our advertisement
- "This article is a gift from your friendly bank"
  - If.....?
- Remember reciprocity?

# The price of disruption





Remember...

Entire  
industries  
DO  
die



# Journal publishing: a sustainable business?

"And thus were created the conditions for a staggering new form of specialist industry: custom-made luxury planet building. The home of this industry was the planet Magrathea, where hyperspatial engineers sucked matter through white holes in space to form it into dream planets - gold planets, platinum planets, soft rubber planets with lots of earthquakes - all lovingly made to meet the exacting standards that the Galaxy's richest men naturally came to expect.

"But so successful was this venture that Magrathea itself soon became the richest planet of all time and the rest of the Galaxy was reduced to abject poverty. And so the system broke down, the Empire collapsed, and a long sullen silence settled over a billion worlds, disturbed only by the pen scratchings of scholars as they laboured into the night over smug little treatises on the value of a planned political economy.

"Magrathea itself disappeared and its memory soon passed into the obscurity of legend."

Douglas Adams, *The Hitch-Hiker's Guide to the Galaxy*

# Thank you

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