

Business Models

Quo vadis?

Presented by: Arie Jongejan
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ICOLC Barcelona 2004

- What I had wanted to present
 - Scopus
 - New Science Direct Functionality
 - Other great innovations....



ICOLC Barcelona 2004

What I am *going* to present:
Business Models: Quo Vadis?

Agenda

- Print: When life was simple!
- Hybrid: When life got very complicated!
- Electronic: When life gets ...
- Conclusions

Arie:

'Can this be
over quickly.'

ICOLC:

'Always nice to
grill a publisher!!'



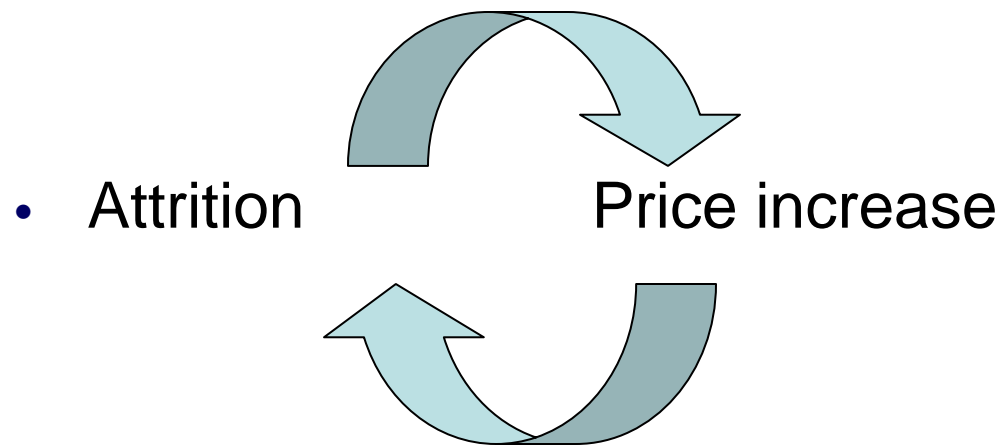
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Print: When life was simple.....

- Journal-by-journal
- Catalogue price
- Agents role
- Pricing parameters
 - Volume
 - Inflation
 - Circulation
 - Exchange rate effects
 - Other revenue streams
- Archive = Print

.....but not necessarily a happy one!

- Funding crisis



- Benefits: simplicity; up- & downward flexibility
- Drawbacks: reduced access (users), reduces visibility (authors)

Hybrid Models: 4 successive waves

- $P + E = P + \text{Surcharge for E}$
- Platform functionality charged separately
- Reward for loyalty
- Loyalty = commitment to historic collection
- Archival rights
- Transaction allowance for article downloads

- $P + E \Rightarrow E + P = E + \text{"Surcharge" for P}$ (DDP: deep discount for print)
- Platform functionality **included** in e-fee
- Loyalty = commitment to historic **spend**
- Web Editions for all customers

- **Access to (previously-) non-subscribed content**
 - As part of Freedom- or Subject collection ('Big Deal'), and/or
 - Through consortium access
- Fees based on **% of current spend**
- Archival rights based on subscribed material

- Access to non-subscribed
 - As part of Freedom- or Subject collection, and/or
 - Through **Unique Title List** as defined by consortium
- Fee based on **% of value of non-subscribed**

Where does it leave us?

	Benefits	Drawbacks
1 st wave (P + surcharge for E)	relatively simple; perceived value for money (for loyal customer)	definition “loyalty”; no repair of pain points
2 nd wave (E + surcharge for P)	e-leading; flexibility to Y/N take print; offers means to reduce spend (10%)	more complex; reconciliation print spend; lack clarity subscr titles list
3 rd wave (Big Deal @ % spend))	repair access to previously subscr and “peripheral” content at marginal cost	value proposition tilted towards small customers
4 th wave (Towards value based pricing?)	overall value for money; no limitation on usage	winners & losers; hard to manage spend downward; still (indirect) relation to historic spend

Where does it leave us?

- On Access: close to 10mln users, of which 2mln repeat; often cross access to non-subscribed material
- On Usage: currently 250 mln downloads, doubling every year since 1999
- On Functionality: simple searching over proprietary db's; linking direct or through CrossRef; WebSearch through Scirus, etc.
- On Content: backfiles available from Vol. 1, nr. 1 (6.2 million articles on SD)
- On Pricing and Prices:
 - volume effect reduced
 - inflation/circulation effect reduced
 - Exchange rate effects borne by publisher (pricing in 3 currencies: \$, Yen, Euro); raises the same in all 3 regions
 - As illustration: LISU (Loughborough University) Study

LISU study

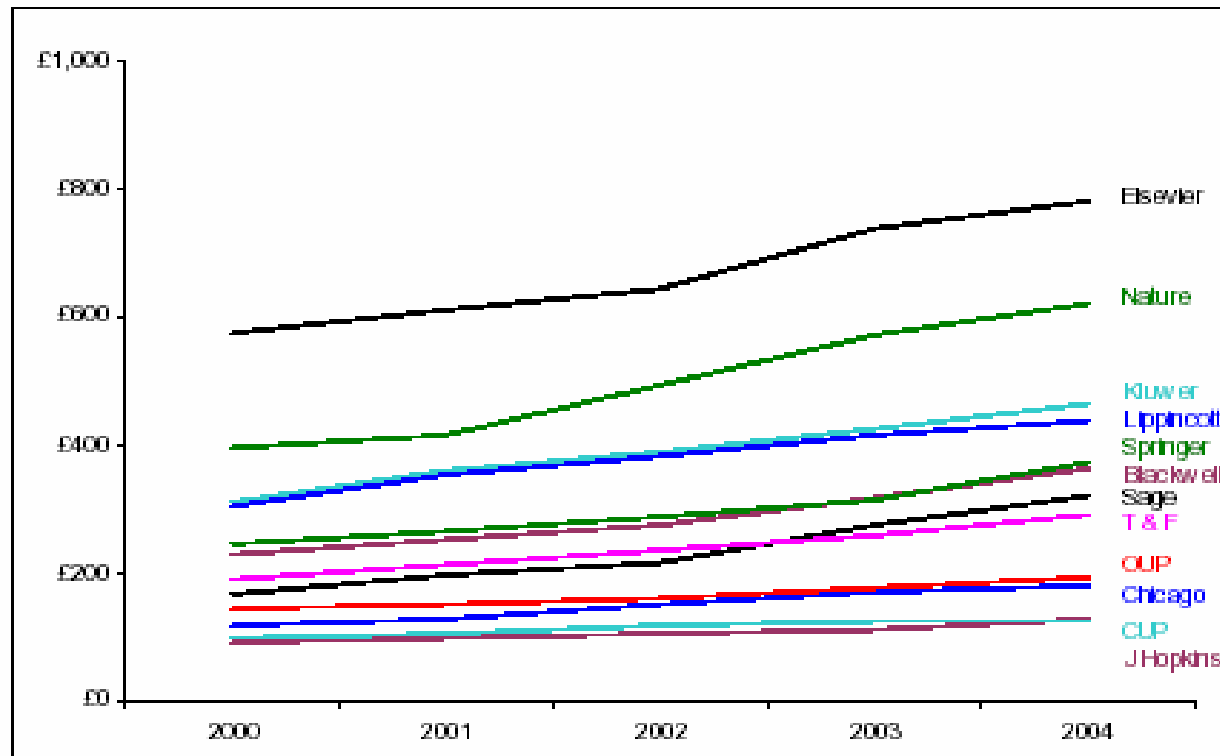
Table 2.1 Median journal prices – all subjects, 2000-04

£

	2000	2001	2002	2003	2004	% change 00-04	No incl.
Sage	166	197	217	276	322	93.5%	296
Blackwell	227	251	275	318	362	59.1%	988
Nature	395	415	492	572	622	57.3%	52
Taylor & Francis	189	213	234	258	291	54.0%	809
Springer	245	265	289	314	372	52.3%	447
U. of Chicago	119	127	149	170	179	50.4%	44
Kluwer	312	361	390	424	464	48.8%	1,073
Lippincott	305	352	383	414	437	43.3%	235
Johns Hopkins UP	91	97	105	112	127	39.5%	168
Elsevier	575	612	643	739	781	36.0%	1,439
OUP	143	150	160	176	194	35.8%	252
Cambridge UP	98	106	118	125	124	26.5%	143

LISU study

Fig 2.1 Median journal prices – all subjects

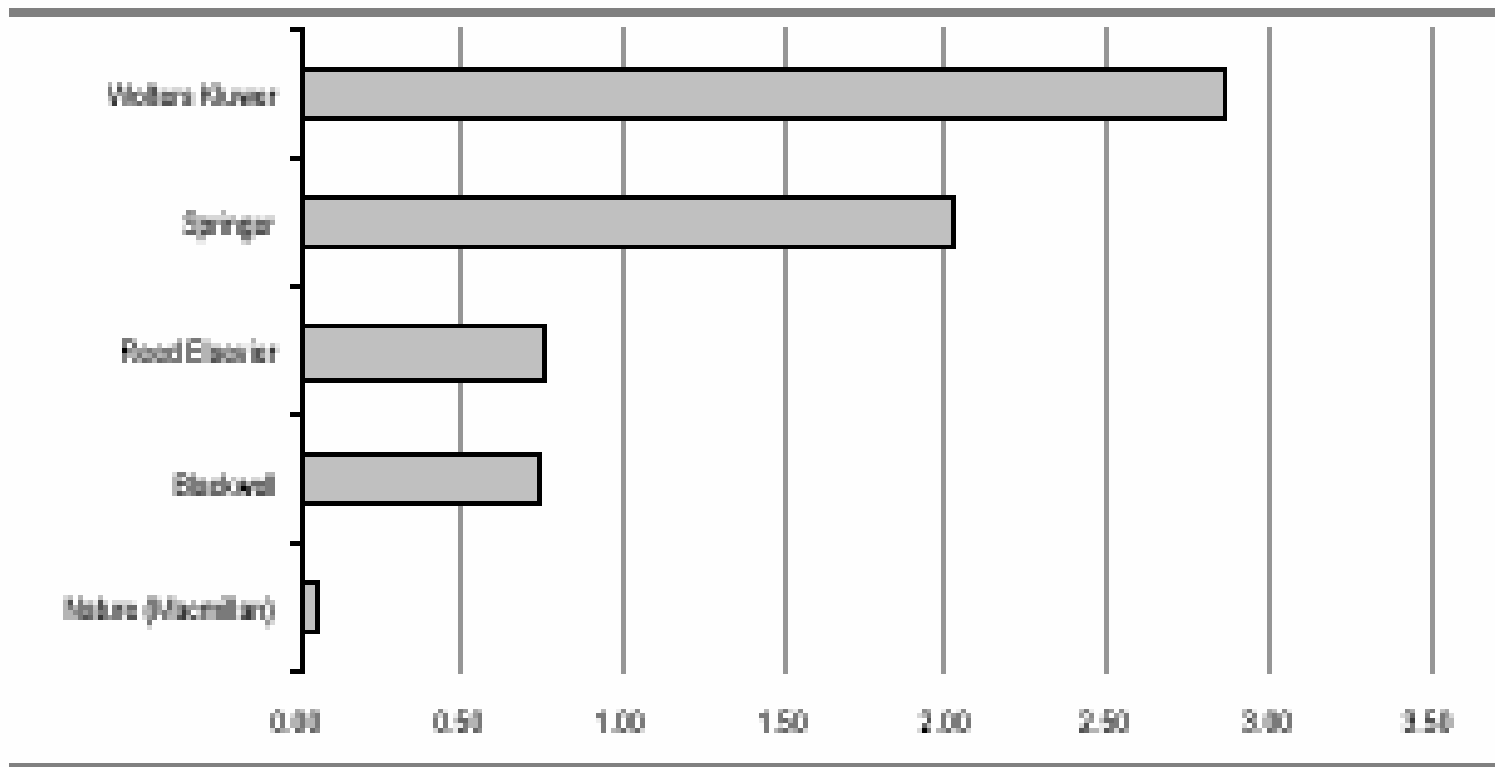


- Average number of articles per journal more than 50% higher than competition
- Average “Net” journal prices in collections \$150-\$600 (GBP 300)
- Cost per downloaded article competitively well positioned

Case Study: University of California

Average price paid per UC Online Use (2004) = # FTA downloads

Figure 8 : Average price paid per UC Online Use* (2004)
\$ per online use



Source: University of California, CSFB research

Source: CSFB Report on STM publishing, 29 Sep 2004

Unanswered: How to measure “Value” in eyes of customer?

- What is being used: Content dimensions
- How it is being used: User dimensions
- How often it is being used: Usage dimensions

New Business Models – Value dimensions

Content

- **Breadth** - # subjects/titles/articles accessed
- **Depth** - level of detail available
- **Quality** –journal rejection rate
- **Recency** - timing of delivery
- **Functionality** - user tools

Customer-User dimensions

- **Population** - #FTEs, #Students
- **Concurrent users**
- **Sites** – contiguous campuses
- **Type of account** – acad./corp.
- **GDP** – developing world

Usage

- **Item** – articles downloaded
- **Duration** – session length
- **Frequency** - number of sessions



New Business Models – Value dimensions

Conclusion

Most traditional publishers remain close to content based pricing

Content

- **Breadth** - # subjects/titles/articles accessed
- **Depth** - level of detail available
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- **Recency** - timing of delivery
- **Functionality** - user tools

- APhysS
- Blackwell
- Springer
- ProQuest
- BioMed Central
- **Elsevier**
- ACS
- ISI/Thomson
- J-STOR
- Wiley
- IEEE
- AIP
- AP(hysical)S
- HighWire Press
- Muse
- Taylor & Francis
- Subito
- Infotrieve
- Ingenta (PPV)

Customer-User dimensions

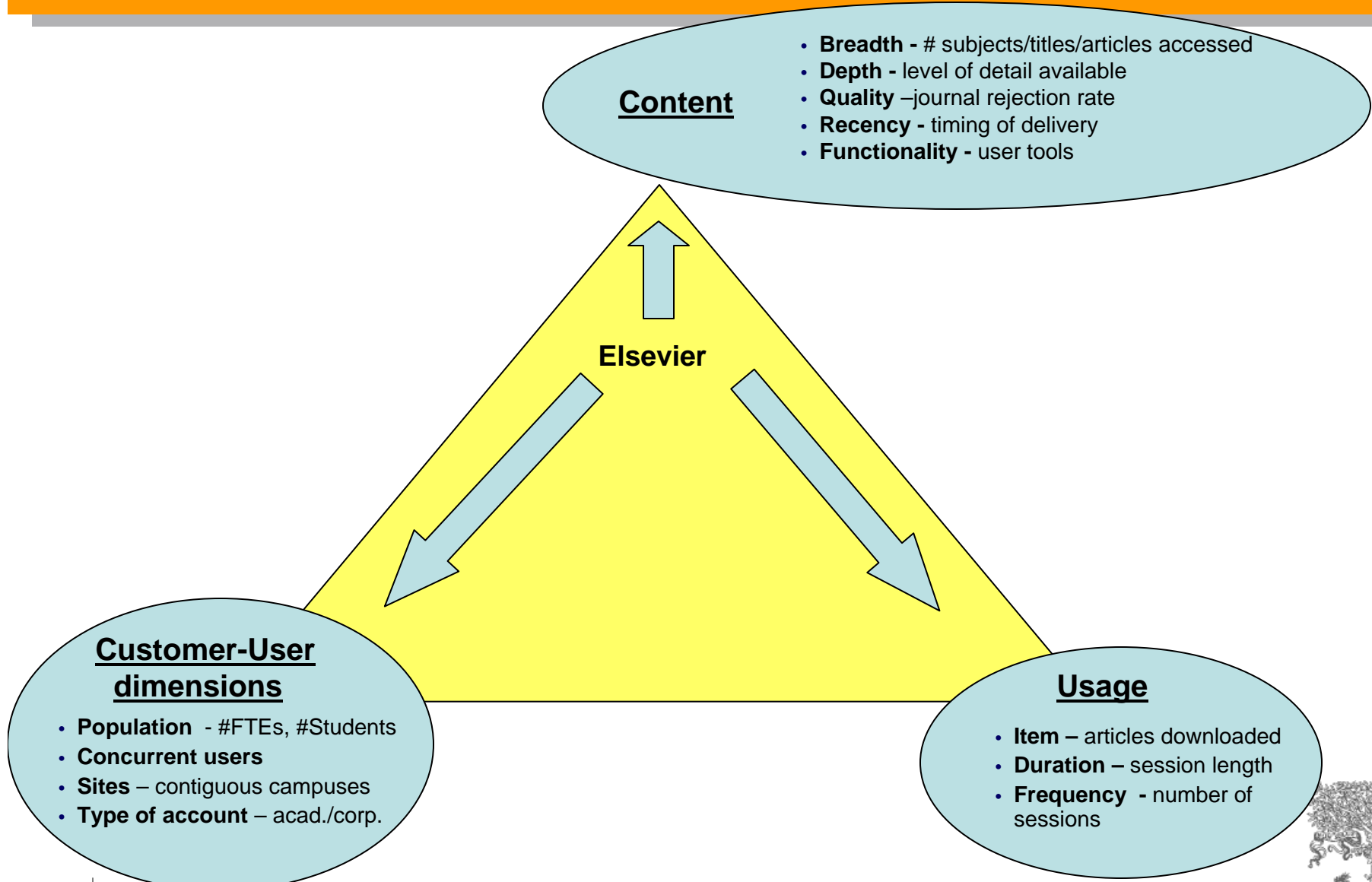
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New Business Models – Future directions?



Our vision

- Offer modularity
- Offer choice
- Offer differentiation
- Redefine “loyalty”
- Back to simplicity
- While recognizing Value

Example (work in progress!!): Archival rights

- Customer spends \$X mln
- Customer obtains X “service miles”
- Customer can use service miles to order archival rights
 - Value \$X mln in journals => enough service miles for archival access to those journals, but
 - Can make (different) choices every year!
 - Web-based service
 - Can buy (or sell) additional miles at discretion to extend (reduce) access
- Simple, addresses title swaps/mergers, introduces choice

Conclusions

- With the models in use, we've come a long way in terms of usage, access, value proposition
- The industry has build them "on the fly" and some overhaul needed
- We have to be careful not to throw away the good with the bad.

.....AND.....

“Don’t mess around with models!!”



Quote from John Profumo, 1963, UK Secretary of State for War, when he had to resign because he did

Thank You!