Business Models

Quo vadis?

Presented by: Arie Jongejan
Location: ICOLC Meeting, Barcelona
Date: 28 October 2004
What I had wanted to present

- Scopus
- New Science Direct Functionality
- Other great innovations....
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

ICOLC: ‘Always nice to grill a publisher!!’

Arie: ‘Can this be over quickly.’
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

- Attrition → Price increase

- Benefits: simplicity; up- & downward flexibility
- Drawbacks: reduced access (users), reduces visibility (authors)
Hybrid Models: 4 successive waves

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

- P + E => E + P = E + “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?

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

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

- 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

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
New Business Models – Future directions?

**Content**
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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!