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Economic and strategic analysis of scientific journals: recent evolutions

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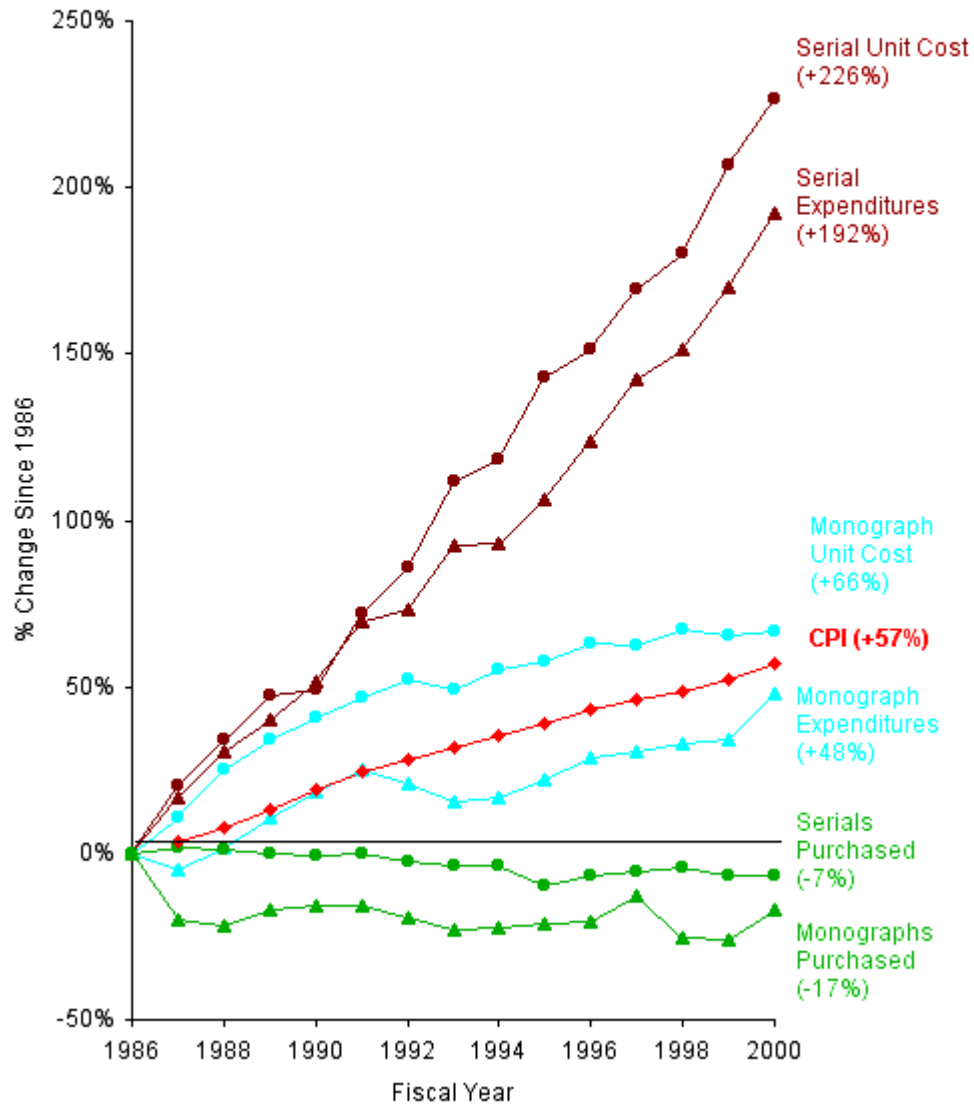
LIBER Rome, 18 June 2003



Overview

- Pricing policy
- Mergers
- Licensing
- Open access
- Conclusion

Monograph and Serial Costs in ARL Libraries, 1986-2000



Total costs of publishing (1998)

Total costs/article	\$ 6.000
(Incl. preparing manuscript 80-100 hours)	
Readings/article	900 times
Costs/reading	\$ 6,70

Publisher's costs (average per journal, 1998)

Fixed costs (processing, support)	\$ 400.000
Incremental costs/subscription (reproduction, distribution)	\$ 40
Cost recovery / subscription	
• 500 subscriptions	\$ 847
• 5000 subscriptions	\$ 48
Average subscription	1.900
Average price to recover costs	\$ 252

SAMPLE OF JOURNAL PRICES

	1995	2001	% Change
Brain Research	\$10,181	\$17,444	71.3%
Biochem. Biophys. Acta	\$7,555	\$12,127	60.5%
Chem. Phys. Letters	\$5,279	\$9,637	82.6%
Tetrahedron Letters	\$5,119	\$9,036	76.5%
Eur. Jrnl. of Pharmacology	\$4,576	\$7,889	72.4%
Gene	\$3,924	\$7,443	89.7%
Inorganica Chem. Acta	\$3,611	\$6,726	86.3%
Intl. Jrnl. of Pharmaceutics	\$3,006	\$5,965	98.4%
Neuroscience	\$3,487	\$6,270	79.8%
Theoretical Computer Science	\$2,774	\$4,608	66.1%
Jrnl. of Exp. Marine Bio. & Eco.	\$1,947	\$3,501	79.8%

Price increases by type of publisher

	average price		increase factor	
	1975	1995	current \$	constant \$
commercial	\$ 55	\$ 487	8,9	3,1
society	\$ 28	\$ 229	8,2	2,9
educational	\$ 15	\$ 81	5,4	1,9
other	\$ 40	\$ 119	3,0	1,1
all types	\$ 39	\$ 284	7,3	2,6

Cost effectiveness comparisons

<i>Field</i>	price/page in \$		price/citation in \$	
	<i>for-pr</i>	<i>non-pr</i>	<i>for-pr</i>	<i>non-pr</i>
Ecology	1.19	0.19	0.73	0.05
Economics	0.81	0.16	2.33	0.15
Atmos. Scie.	0.95	0.15	0.88	0.07
Mathematics	0.70	0.27	1.32	0.28
Neuroscience	0.89	0.10	0.23	0.04
Physics	0.63	0.19	0.38	0.05

Cost effectiveness comparisons: Cost/impact ratio

	Profit	Non-profit
Physics	14.61	8.23
Economics	42.62	11.55
Neuroscience	8.69	0.64

Publishers of ISI-rated STM journals

		1998 number	share %	
1	Elsevier Science	comm	1347	18
2	Wolters Kluwer	comm	552	7
3	Blackwell	comm	341	4
4	Bertelsmann	comm	326	4
5	Wiley	comm	279	4
6	Taylor & Francis	comm	191	2
7	Sage	comm	123	2
8	Karger	comm	101	1
9	Inst. E&E Engineers	society	93	1
10	Cambridge Un. Press	UP	84	1
11	Gordon & Breach	comm	84	1
12	Oxford Un. Press	UP	83	1
13	Marcel Dekker	comm	76	1
14	Holzbrinck	comm	67	1
15	Am. Inst. Of Physics	society	41	1
	Others (2034 publishers)		3922	50

Global scientific publishing market players 2001

	2001 revenues (\$mn)	2001 market share
Reed Elsevier	1.055,3	23,3 %
American Chem. Society	357,3	7,9 %
Thomson	259,0	5,7 %
John Wiley & Sons	243,6	5,4 %
Inst of Electrical & Electronic Engineers	200,3	4,4 %
Wolters Kluwer	169,3	3,7 %
McGraw Hill	146,2	3,2 %
Taylor & Francis	144,6	3,2 %
Springer Verlag	44,0	1,0 %
Others	4.536,4	42,3 %

Explanation for price rises?

- Reed Elsevier: “Investment in technology and increase of number of articles”

But: large differences between profit – non profit

- High proportion of journals with small print runs?
Cross-subsidisation?

No evidence!

- Also: large differences between STM journal publishing and other commercial journal publishing (scholarly as well as others).

The market

“We believe that there is evidence that the market for STM journals may not be working well.”

Office of Fair Trading, September 2002

Antitrust

US antitrust rule of thumb:

Intervention is needed if one firm gains control of 35% of the market.

But:

Each journal is a unique entity with a reputation and position in the scientific world. Some core titles are indispensable.

So:

The 35% rule does not apply.

Mergers

- Since the 70s there has been a large number of take-overs and mergers: fewer publishers, larger publishers.
- New: Cinven & Candover wants to purchase BertelsmannSpringer (with Kluwer Academic); this would be the second largest publisher in the world.

Mergers

Mark McCabe: “Mergers are profitable for publishers.”

Merger between Pergamon (57 biomedical titles) and Elsevier (190) resulted in a price increase: P-titles 22%, E-titles 8%.

Merger between Lippincott and Kluwer:
35% price increase for former L-titles.

And also ...

- 10 of 13 Elsevier's new titles in 2001 were drawn from scholarly associations.
- 10 of 35 Sage's new titles in 2002 represented societies' contracts.

Big Deal

- 2/3 of the current academic journals have gone online, even as they continue to publish in print.
- Now we have not only large publishers but also large bundles: Big Deal.
- All or nothing: An online aggregation of journals that publishers offer as a one-price, one size fits all package.

Big Deal: consequences

- Control mechanisms on demand and supply side disappear.
- No possibility to cancel individual titles.
- The chance of effective entry of new titles is low.
- Increasing problems as a result of mergers.
- The exit of the smallest publishers is more than likely.

Science Direct

Market penetration:

- 2000 35%
- 2002 69%
- End of 2003 75% (prediction)

Non-disclosure

Most licenses have non disclosure / confidentiality clauses.

Why?

“It would generate more confusion and possibly consternation among customers who might not understand why there could be a discrepancy.” (Spokesman of Elsevier)

The benefit of Site licenses

Bergstrom & Bergstrom:

Journal site licenses are for the benefit of the academic community only if the subscription price is close to the publisher's average cost.

If this is not the case, the selling of individual subscriptions would result in greater net benefits for the academic community.

Interlibrary loan

- Estimation 2000: 40 million copies
- Highly inefficient
- No electronic ILL permitted
- Pay per view: Science Direct \$ 30/article

Interlibrary loan (2)

- The ILL systems do not generate any income for publishers.
- A new system (electronic ILL, pay per view) could benefit publishers, libraries and end-users.
- Publishers, however, are so afraid of loss of turn over, that they take no initiative.

Open access

- Institutional repositories
Larger commercial publishers are reluctant to give permission
- Free web access (immediately or later)
Only a small number of smaller commercial publishers
- New models (author payment, institutional membership)
BioMed Central

Large commercial publishers consider the Open Access movement to be a threat.

Trends in commercial publishing

- Benefits of scale will increasingly accrue to larger publishers
- Margins are likely to expand for those publishers with successful online platforms. The profitability improves by 15% as they move from print + online to online only
- But: budget cuts for libraries will cause a cyclical slowdown in the publishing industry

The advantages of e-publishing

- Libraries:
 “Open Access”
- Commercial publishers:
 “Towards higher profits”

What to do for the academic community?

Some scenarios:

- Influence the market by collective bargaining
- A smaller role for traditional impact factors
- Change intellectual property rights
- Decoupling the reporting and dissemination of research from commercial publishing