

## THE CHANGING MARKET FOR SCHOLARLY PUBLISHERS

By René Olivieri

Good strategic planning lies in the art of predicting what is likely to happen and when, rather than just in understanding what is logical or even possible. And the best futurology is still firmly based in history. To understand the behaviour of markets in future then, it is necessary first to examine how they have worked, or not worked in the past.

As a one-time editor in economics, I have watched with more than passing interest that discipline's efforts to come to grips with market imperfections due to asymmetric information, institutional rigidities, and uncertainty. My experience in publishing over the past decade has taught me that the market for scholarly and educational materials is dynamic in ways that often defy prediction.

This is the story of one firm's attempt to come to grips with events of the past decade, and an account of how that same firm is preparing for the future. Blackwell Publishers concentrates primarily on books and journals in the social sciences and humanities. Recently, for reasons given later, we have expanded into certain professional fields such as law, business and computing. We used to publish school books too, but the British government's inept handling of the transition to the new national curriculum (about to be revised yet again) and local school management made it impossible for us to stay in that market.

Ten years ago we were chiefly a prestigious monograph publisher and the books acquisition librarians were our prime customers. We recognised at that time that serials were becoming the chief forum for academic research in many of our disciplines. During the eighties then we grew to become one of Europe's biggest publishers of social sciences and humanities journals (about 130 world-wide at present) many of which we publish on behalf of academic societies.

About the same time it became apparent that a UK-based academic publisher without a strong presence in the American market was not going to be

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Mr. Olivieri's paper was delivered at the Seminar "Changing roles in the information chain" organized by the British Library of Political and Economic Science and the International Committee for Social Science Information and Documentation, London, United Kingdom, 30 March 1993.

viable in the future. Not only is America the world's largest market by far for academic books and journals; it is also the most technologically advanced. The largest single concentration of research in most of our disciplines and therefore the most widely-cited authors - many of them European emigrés - is in the States.

At the same time as we were building an American base, another trend was becoming clear. Neither individuals or public libraries have ever been an important source of sales for specialised hardback books. We have always been dependant on academic institutional libraries. Contrary to all economic logic, as academic library book budgets have declined, both the number of new titles published and prices have continued to rise. Clearly, the response of many publishing firms to a decline in unit sales and revenue per title has been to cut costs and push out more titles at higher prices, creating a downward spiral of rising prices and falling volume.

We made a conscious decision not to go down that path, not just for altruistic reasons, but because we didn't think we could turn our company into a sausage factory. Our founder, Sir Basil, one of the outstanding publishers of his time, lived by the motto 'There's always a market for excellence'. We opted for quality not quantity. The number of new titles we publish will be less this year than it was five years ago.

Did this strategy work? Alas, Sir Basil was wrong. There is not always a market for excellence. The difference between the number of copies that can be sold of a good monograph and a mediocre one is not enough to cover the difference in costs. The value we added did not result in higher sales.

The market, from our point of view of course, seems to be insufficiently discriminating. Institutional inertia in the form of standing orders is hard to beat. This may be changing, but as with our publishing for schools, the market has not sorted itself out quickly enough for a medium-size player to hold out.

In response, we decided to change markets. We foresaw that higher education was set to expand not just in Britain but throughout Europe and Asia as well. With governments everywhere determined to bring down public expenditure, the need to provide more cost-effective and flexible courses would bring new publishing opportunities. And as Britain in particular lags well behind most other developed countries in vocational training we entered the business studies and computing fields.

Despite the difficulties of being a small player in a big market, we realised we would have to up the stakes in America. The American-style textbook was taking over in most of our overseas markets. 'If you can't beat 'em, join 'em', we con-

cluded, moving our US offices to the intellectual centre of our universe, Cambridge Massachusetts, and strengthening our American commissioning capacity.

During the past decade then, we have reorientated our books publishing. We are no longer 'author-centred' but 'market-centred'. Our book publishing is now targeted at students rather than libraries. Dear Librarian: please don't turn away. Dear Blackwell author: don't despair. As a company we are in mid-transition. We could not afford the loss of revenue and credibility that would have come from cancelling contracts wholesale so we are still publishing high quality monographs, and doing our best for all our authors.

We still need the librarians' business. And we remain committed to our scholarly reference programme, where the value-added by the publisher is reflected in higher sales per title.

Having just reorientated our books publishing strategy, however, we have not been given much of a chance to catch our breath. Things have begun to heat up on the journals front. During the eighties, what we'd lost in revenues from books we'd gained in journals. The shift in acquisition expenditure in most libraries from books to journals was precisely reflected in our profit and loss account. Even though we'd benefited to some extent from this shift in the market, it wasn't altogether a rational one. Let me explain.

1. The exchange value of the US dollar fluctuates wildly. One year the dollar is strong and overseas libraries take a beating; the next year it is weak and the price of European journals wreaks havoc with US library budgets.
2. Some publishers set very aggressive price increases. In a normal world, they would lose business. In the strange world of periodicals they simply increase their market share at the expense of less hard-headed competitors.
3. A very large proportion of our receipts from journals must go back to editors and societies in the form of royalties and profit shares. Societies invite more and more publishers to bid for their business. The winner could be the publisher who will guarantee them the most income; in other words, the one who is most prepared to risk a high price increase, since pushing up circulation in the present climate means swimming against a very strong tide.
4. Finally, here was this curious phenomenon, we'd seen on the books side: more and more titles being published, resulting in lower subscriptions per title, resulting in turn in higher subscription prices.

None of this is news to librarians but it does put into context the changes we are facing now and it shows, I think, that high quality medium-size book and journal

publishers in the social sciences and humanities have not been making a killing at the expense of librarians. It also shows again how sticky and reluctant to adjust the market is.

Enough crying over spilt milk. Accepting that we do not live in a just world, it is foolish to expect good sense and efficiency to prevail in the future?

Before we can answer this question we need to examine what new forces are beginning to effect publishers and their customers. Let me use Kant's useful distinction between 'sein' and 'sein sollte', between what 'is' and what 'should be': in describing what I think is happening.

The expansion of higher education, in Europe at least, should lead to an expansion in libraries, as well as in student textbook purchases, and to the adoption of new distance and interactive teaching technologies.

Expected Result? Happiness all round: job satisfaction for the librarian; productivity gains for the teacher; wisdom for the student; and profit for the publisher.

Unfortunately, in the UK at least, this equation hasn't reckoned with

- a) the fickleness of a government formally committed in theory to both the expansion of higher education and the free reign of market forces but is mean and interventionist in practice.
- b) ex-polytechnic libraries (where expansion is fastest) which have a fraction of the resources available to older universities.
- c) lecturers so hard-pressed they have no time to think about producing their own materials or about how to make use of advances in technology and teaching methods.
- d) poor coordination within universities in getting resources into the hands of students.
- e) average student spending on course materials falling like a stone.

Actual Result? Unhappiness, confusion and dissatisfaction at all levels.

On the journal front the situation is more complex and more alarming. The technology exists to provide researchers and students with efficient on-line search and individual article/document delivery. Governments are committed to providing the infrastructure in the form of electronic networks, through which vast amounts of information can move at great speed.

Expected Results? Satisfied, happy customers! End users should be able to sift through more information at great speed and extract precisely what they want when they want it.

Unfortunately this shift hasn't occurred: Why?

- a) The end user may not have the expertise or access.
- b) Publishers worry that individuals will not be buying in sufficient quantity or paying enough for each article to make up for lost revenues if electronic delivery displaces hard copy subscriptions.
- c) The organisation, control and completeness of mushrooming databases is far from perfect.
- d) No one has found an adequate means of referring electronic journals.

Actual Result? Confusion, with producers and consumers profoundly ambivalent about the new technology and with governments playing an ambiguous role in between, trying to protect the rights of both.

Publishers may rub their hands at the prospect of getting new income from electronic delivery, but are reluctant to do anything which damages hard copy subscriptions. Librarians and agents - the intermediaries - wonder aloud where they fit in. The consumers are in the most ambivalent position of all. Many of these consumers are authors themselves and belong to professional societies. Many of those societies are also publishers or at least the partners of publishers. Many of the members of these societies are rewarded, monetarily, or much more importantly, in terms of power, prestige, and advancement, through their involvement with specific journals and with those societies. Loyalty to their profession cuts across both loyalty to the institution that houses them and their interests as researchers in getting information quickly and cheaply.

Does this mean that we are caught, that entrenched interest will block progress, that an 'unholy alliance' of publishers and authors will prevail against the allied forces of governments and consumers to stop the relentless march of progress? Not really. I don't think any one in this business believes this will happen.

At the end of the day we - librarians and publishers - are resource providers. The end users are students and researchers. If we don't provide our customer with what they want they will eventually find ways of beating the system.

If textbooks are too expensive or inappropriate, or not available in the library, they have recourse to photocopy machines or used books. The used book market already accounts for a significant proportion of texts sales in the U.S. and it will

come to Europe too. In-house customized publishing need not involve four-colour packages to be effective. On campus publishing will take off in Europe as it has in America.

Similarly, on the journal side if end users prefer 'just in time' delivery of individual articles to 'just in case' archival storage, they will eventually get what they want. And this will happen not as a result of government intervention or changes in the copyright law but because demand creates its own supply; where there is a willing buyer, there is usually a willing seller - at a price of course. End-users, however, and their partners the librarians, will gradually come to recognised that they cannot pay just for the information they use, that the value of a database lies in its quality, comprehensiveness and accessibility. Providing those features will give publishers and agents a continuing role to play.

This began as the story of a particular company. Let me come back to that company and tell you some of the way we as suppliers are responding to this shift in demand.

1. The library supplier B.H. Blackweel Ltd. and its subsidiary Readmore Inc., have formed a new company with CARL systems in America. Calles Uncover is draws on a databse of 13,000 journal titles, (since 1989). 3000 new article citations are added to the database daily and coverage will be extended to 20,000 journals by the end of the year. There is a fixed subscription charge per year for unlimited access to the database via Internet. It is accessible throughout the world and provides fax delivery of documents within 24 hours. It pays copyright fees directly to the publisher.

2. Adonis represents a rather different approach to the problem. A consortium of science publishers, including Blackweel Scientific, has produced a database on CD-ROM of about 400 journals primarily in the biomedical and biochemical disciplines.

3. With Blackwell Publishers, the part for which I am responsible, we have emtered the fray by investing in Legal Information Resources whose managing director is a trained law librarian. This company produces a legal journals index in hardcopy and electronic formats. Its indexing system is unique and all abstracts are written by qualified legal librarians. As do Uncover and Adonis, it provides document delivery. We have already extended the coverage of the index to include European journals and are creating similar new databases in other professional areas such as financial services, pensions, insurance, etc.

Finally, we are investing in computer-based training which has to be ripe for expansion given:

- a) the increasing computer literacy of students and the falling price and greater effectiveness of personal computers.
- b) the proven track record of this kind of teaching particularly with less able students.
- c) the expansion of distance learning and the need to reduce teaching costs.

At the moment the products we have are tutorials on how to use P.C.-based software. We have already sold site licences to US universities and hope to do the same here. It is only a matter of time before we extend our coverage to academic disciplines and providing lecturers with the authoring software and raw material they need to construct their own unique educational programmes.

At heart, despite the lessons of the past, I remain a qualified optimist. Out of this primordial soup practical products are emerging. The new technologies can provide more efficient answers. Publishers and librarians should respond cautiously, waiting for consumer preferences and individual behaviour to catch up. In publishing timing is everything and market adjustment takes time. We are taking a stake in the new technologies. Meanwhile old-fashioned books and journals are unlikely to give up the ghost to the machine.

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