

What librarians can learn from cable television: Thoughts on transformative business models and their impact on the business of libraries

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Early on in my tenure as an electronic resources librarian, I was grumbling to a more experienced colleague about the difficulty of managing e-journal title lists after a large purchase had been made. She agreed and told me that publishers have just two goals: selling new products and locking customers into multi-year deals. After that, they don't have much incentive to provide support or services. While this assessment was bleak, it wasn't unfamiliar. Thinking about her words later that day, I realized that the practices of some publishers were just like the treatment I routinely receive from my cable company. They aggressively market new services and bundles, regularly raise prices, and it's impossible to get them on the phone when you need a problem solved. I continue to subscribe, however, because I like television, and cable companies offer the best deals in spite of the hassles that come with them.

During the past few years, I've often thought back to that conversation as I realize that the practices that define the business of libraries are really not that different from those that have been shaping the larger worlds of technology, media, and consumership. These areas have transformed radically in the past two decades, not only within the confines of traditional business models, but through the creation of completely new models made possible by new technologies. In this column, I aim to explore three issues currently dominating the discourse in the electronic resources field -- the big deal, perpetual access, and open access -- and draw parallels to events

and trends from outside libraries that may provide some insight into where we're headed.

### The Big Deal and Your Cable Company

Recently, library publications and conferences have been full discussions of whether it makes sense for libraries to discontinue participation in "big deals" -- arrangements in which libraries purchase all or most of a publisher's journals for a flat rate usually based on the amount of money previously spent on print journals. Big deals have many drawbacks: they are very expensive, and the price goes up every year; they include a lot of filler -- journals with low use that are not core to a library's research areas; and they eat up a huge percentage of journal budgets, leaving less money to support titles from small publishers and societies. Ideally, many libraries want to find a way to purchase a smaller number of the highest impact titles at a lower cost. The barrier here is that publishers, like any other business, do not want to make less money. So they structure their deals in a way that makes it difficult for libraries to cancel content. If they break the big deal and select only the titles they want, as in the days of print journals, they might end up paying nearly as much as the cost of the big deal itself. It makes sense to get more content for the same amount of money.

To observe the effects of bundling and big deals outside of libraries, look no further than your cable company. Like journal publishers, the cable company sells access to content (television shows) grouped into subject-based collections (channels). These channels are then sold as bundles. Customers pay a flat fee each month and in return get access to all the channels offered by a given cable provider. The similarities continue, as for years consumers clamored for the

opportunity to break the bundled deals offered by cable companies and order channels a la carte. This idea was so alluring that in 2004, the Federal Communications Commission was asked by Congress to investigate the feasibility of a new pricing model for cable channels. An initial study showed that a la carte pricing would actually cause consumers to spend more money on cable because networks would have to charge more per channel to make up for the loss of money paid by bundle subscribers. The costs of advertising and loss of revenue might also force smaller channels out of business. After a series of conflicting studies, legislators rejected an a la carte cable measure, effectively bringing the issue to a close in the short term. (Nocera, 2007)

A return to the days of a la carte pricing for electronic resources seems equally unlikely. Despite frequent talk of breaking the big deal, very few libraries seem to have found ways to actually make it happen. A 2009 survey revealed that when asked how libraries handled cancellations within multi-year deals, the two most common answers were “we don’t cancel big deals” and “we don’t accept multi-year contracts,” leading the authors to conclude that, once entrenched within a big deal, most libraries are reluctant to break it (Carlson & Pope, 2009). The available accounts of libraries that have successfully dismantled their big deals often find those libraries opting instead for a kind of “medium deal” that is less comprehensive and restrictive than the traditional big deal, but still has come with strings attached. Nabe and Fowler (2012) describe the dissolution of a consortial big deal with Elsevier at the University of Oregon, which was then replaced by a smaller deal that included shared access between three libraries, a unique title list, a 10 percent cancellation allowance, and inflation caps for the next three years. While this deal provided some important flexibility and significant cost savings, it still required a multi-year contract and, according to the authors, will surpass the amount of the original big deal cost in

2014 due to inflation.

If we continue to take the television industry as our analogy, recent experiences suggest that the solution to the tyranny of bundles may not be to break the big deal, but to move beyond the infrastructure that supports the big deal in the first place. The biggest disruption to the traditional cable bundling model has not been price restructuring, but rather the emergence of technologies that have allowed viewers to acquire television content in new ways. With the cost of technology dropping, Internet speeds increasing, and devices getting more powerful, it suddenly became possible for people to get their television shows online. Companies like Netflix and Hulu have stepped in, offering free or low-cost avenues for television viewing. It was the introduction of completely new models, rather than a modification of the older ones, that finally began to shake the hold of traditional cable models.

A 2009 New York Times article describes how one man and his family implemented a completely new, Internet-based model of television viewing that allowed him to ditch cable and save \$1,600 a year. This set-up included a computer hooked up to a television screen, a Microsoft Xbox, an antenna, and a wireless mouse and keyboard. The only ongoing costs were a \$9 monthly subscription to Netflix and a \$30 a month Internet service. The author could watch movies and older television shows on Netflix, live sporting events over the air, and current television shows through Hulu -- which at the time offered free access to entire seasons of content. While this man seemed to have escaped cable's stronghold, such an approach is not without its drawbacks. Bilton admitted to an initial outlay of around \$550; a loss of certain content, like cable sports; and a learning curve involved in navigating the logistics and use of

multiple new services. In short, an optimized set up required an investment of money and time in the short term, as well as a few sacrifices. (Bilton, 2009)

Similarly, many librarians have suggested that a hodgepodge of emerging technologies and programs, including pay-per-view, streamlined interlibrary loan (ILL), and demand driven acquisitions (DDA), could provide solutions to the loss of the big deal (Boissy et al., 2012). Like Bilton, libraries could patch together access to almost everything patrons need by taking advantage of new, more buyer-friendly services -- but they would also be faced with upfront entry costs and increased demands on staff resources. Libraries also face challenges not seen in the consumer marketplace. Unlike cable television, which is one of several outlets that distributes content produced and owned by networks, academic publishers are usually the sole distributor of the content they sell. So the same publisher that controls the price of the big deal also controls the price of the pay-per-view program for that same content. In a brilliant article about big deal pricing, economist Bergstrom (2010) points out that publishers have no incentive to make programs like pay-per-view affordable to libraries or end users, because they would rather make guaranteed money from big deal institutional subscriptions. Still, Bergstrom (2010) asserts, new models could provide a way out of the big deal in the end. But for that to happen, libraries will first need to get serious about rejecting the big deal: "If you're going to bargain, you have to be ready to walk" (p. 81).

Ultimately, universities may need to wrest control of the intellectual property produced by their scholars back from publishers. Even if new models of distribution take off in the short term, prices have a way of rising again if there's money to be made. In the three years since Bilton's

article was published, Hulu has gone from a free service to a subscription-based model, thanks in part to a desire for greater profits from the television networks (Stelter, 2011). Cable companies themselves are also jumping into the online television marketplace by offering streaming content available only to their customers, thereby co-opting alternative services and subsuming them into their big deals. Similarly, as long as publishers own the rights to the research produced by universities, they will continue to make as much money as possible from that content, and some form of the big deal will live on.

### Perpetual Access and Streaming Music

A key factor in the continued prevalence of the big deal and the relative uncommonness of models like pay-per-view is the insistence of libraries on owning the content they purchase in perpetuity. The big deal, which relies on an ownership model, satisfies this condition, while models like pay-per-view and ILL, which provide only leased or temporary access, do not. Carr (2009) describes the extent to which this attitude has become gospel, asserting that many librarians consider not attaining perpetual access “a failure,” even if it has no direct impact on access or patron perceptions. Perpetual access certainly has its benefits; chiefly, it allows the library to fulfill the traditional mission of creating a secure repository of knowledge and scholarship. Less stressed are its drawbacks. Perpetual access rights are difficult to track, because they are often tied to the years a library has subscribed to a title -- knowledge that is difficult to track as publishers buy and sell journals and as libraries migrate between record keeping systems. Despite the emergence of programs like Portico and LOCKSS, perpetual access rights can also be hard to guarantee. If a publisher goes under and no longer makes its content

available, what recourse will a library have to claim the content it owns? Finally, perpetual access makes content more expensive. A library can purchase an (admittedly less stable) aggregated package of thousands of journals with no perpetual access rights for a fraction of the cost of a big deal with one of the major publishers.

The music industry provides a useful parallel here, but not in the way you might think. Many librarians have made the connection between the growing pains experienced by both the music and scholarly publishing industries as electronic content became the norm. Both sectors had to create new publishing and sales models that would continue to be profitable, while allowing users to take full advantage of the new medium. In the case of music, the industry first tried to tie users down to a more traditional model, throwing their weight behind two bundled subscription services in an attempt to undermine the rogue Napster (Keane, 2011). This move was a failure as listeners rejected the high cost and limited scope of these options. Instead, the iTunes model emerged, which allowed listeners to purchase individual songs at a reasonable price, and own copies of the MP3 files as part of their permanent collection. Publishing has never reached a parallel version of the iTunes model, but it has had a modest influence on models like demand driven acquisitions, which allow users to select and prompt the purchase of individual books and articles, which are then owned by the library.

More recently, little attention has been paid in the library community to recent trends in music sales and purchasing. The music industry, however, is undergoing another sea change, brought on -- like the television shift -- by advances in streaming media technology. Within the past year, several services have emerged that allow users to stream unlimited amounts of music over the

Internet, without purchasing or owning specific songs or albums. Spotify, the highest profile service, allows users to listen to a certain number of hours of streaming music, punctuated by ads. For a monthly fee, users can upgrade to an unlimited ad-free service. And for a slightly higher fee, they can upgrade to a plan that allows them to stream music on their cell phones, offline, and at a higher quality (Spotify, 2012). At \$10, even the premium service is a bargain for the listener who buys even two or three albums a month. The catch is that if a user discontinues the subscription -- or if Spotify goes under -- users have nothing to show for it. Still, a recent CNN article has music industry analysts predicting that downloadable, ownable music may be on the way out. For younger listeners especially, the difference between purchasing and streaming a song is barely discernible (Imam, 2012). And if a popular service should disappear, there will most likely be another one waiting to step into its place and offer that same music at attractive prices.

Does this trend mean that libraries should give up on ownership entirely and move toward a library of articles from all publishers that can be leased for a fixed rate? A mega-database like Summon, except that the full text is part of the product? While the idea is intriguing, it may never be feasible. Articles are a different beast from music, and publishers have never been keen on collaborating in such ways. The more important lesson here relates to our culture's burgeoning rejection of the ownership model. Why buy most of your music when you can lease it for free or next to nothing? If you lose it, there'll be another service that comes along to provide it at a similar cost as long as there's a demand. Of course, someone needs to be responsible for long term preservation of cultural artifacts, but the beauty of the Internet is that it doesn't have to be everyone. Music frequently goes out of print, but there will always be

someone who owns a copy of that obscure album and who's willing to post a free copy online. The music marketplace has shown that resources with commercial value will always be made available to the masses through changing technologies and sales models. The same is likely to be true of scholarly materials.

Some libraries are beginning to acknowledge this reality, especially those who have embraced pay-per-view and ILL as alternatives to the big deal. These libraries retain ownership of their most important subscriptions, but lease or borrow supplementary materials. If it becomes too expensive or unwieldy to ensure long term access to every resource, maybe that task is best delegated to certain specialized libraries, government programs, or non-profit organizations. Freeing themselves from the obligation to ensure perpetual access to all purchases allows libraries to more fully explore programs that can save money and provide the widest range of access to users. Carr (2009) asserts that we can't know the consequences of this approach until the future actually arrives, but his speculations ring remarkably true when viewed in contexts of the current music revolution: "Even more than today, the future promises to be an era of information abundance. This does not mean that libraries can abdicate their roles as 'memory institutions,' but, for many, it may lead to the conclusion that they can be more selective and less stringent about what they decide should be retained in perpetuity. Indeed, in this abundance, it seems probable that, if content is in demand, market forces will make it available at an affordable price" (p. 14). As the new generation of music listeners changes its standards of ownership based on new technologies, certain types of libraries may benefit from exploring how a similarly flexible mindset may help move past the problems generated by the obligations of ownership and preservation.

## Open Access and the Free Economy

What about open access? Much of the recent library literature has touted the open access movement as, at the least, a dominant force in scholarly publishing and, more radically, a savior from the financial strain caused by the big deal and preservation concerns (Collins, 2011). Were the open access model to spread to the majority of journals, libraries would no longer need to worry about unsustainable pricing models or locking in access. Instead, scholarly content would become freely available to all, in one of two ways. In what is sometimes known as gold open access, publishers will continue to produce scholarly content and distribute it freely; in this case, it is generally assumed that researchers and universities will pay the costs of publication with per-article fees (the “author-pays” model). The second model -- green open access -- relies on scholars to self-archive pre-publication versions of their work in freely available institutional repositories, in addition to publishing it in traditional subscription journals.

Both open access models have a lot in common with the larger world of technology and media -- especially as free goods and services have become an expectation and a norm in the digital environment. Nowhere are the complexities of the free economy explored so thoroughly as in *Free: The Future of a Radical Price*, a 2009 book by Chris Anderson, the editor of *Wired*. Anderson posits that what he refers to simply as “Free” has become a dominant force in online commerce due to the decreasing marginal cost of producing, storing, and delivering electronic content. Marginal cost refers to the cost of producing one additional unit of a good beyond the fixed costs of producing it in the first place. The low cost of providing digital content to one

additional user enables companies to give content away in the hopes of attracting attention and making their money back with other endeavors. (Anderson, 2009)

To apply this concept to journal articles, marginal cost is the amount of money it takes to provide a download of an article to one additional user, which in an online world is very low -- low enough to round down to zero, as Anderson would say. This concept is pertinent to the gold open access model, since it explains how publishers can give their content away to everyone.

Technology has gotten so good and so cheap, that it costs barely anything more to distribute content to the whole world than to most publishers' current subscriber bases.

While Anderson (2009) is a very enthusiastic advocate of Free, even he has to admit that a company can't make money just giving things away: "You have to think creatively about how to convert the reputation and attention you can get from Free into cash" (p. 233). *Free* explores several specific scenarios for making money from a business model that embraces free goods and services. The first is the use of direct cross-subsidies, in which a paid product or service subsidizes the free giveaway -- think of getting a free cellphone when you sign up for a two-year plan. In a sense, the Big Deal uses this model, as it essentially gives away access to the bulk of a publishers' output, subsidizing the additional content with the large payment it receives for a library's core subscriptions. Another model, dubbed "freeium," allows all users to have access to a basic free service, while giving them the option to pay for more advanced features. Spotify, described earlier, is a perfect example of a freeium business model. Finally, a three-party market uses one group of consumers to subsidize another. In the classic case of much traditional media, advertisers pay publishers to have access to readers, who then get the publisher's content for

free. (Anderson, 2009)

In thinking about gold open access, the three-party market has most relevance. Here, universities or scholars pay publishers a fee to handle the peer review, editing, and publication of their work, which can then be freely distributed to readers. Readers certainly get the sweetheart deal in this situation, as their access to open access scholarship is as close to truly free as you can get. They may pay indirectly through tax dollars or tuition, but the costs are so diffuse that open access feels free to the general public. Publishers also win in this scenario, as they can presumably make the same amount of money as before from author-pays fees, while reaching a larger audience and improving their reputations. The benefits to the university and its scholars are more complex. Universities may be willing to embrace the author-pays model because professional publication ensures that scholars' work is valid, readable, and accessible to others who might want to cite it, thus increasing its value to the author and his employer. Libraries may also need to subscribe to fewer journals overall as more content becomes open access. What's important to remember, however, is that universities and libraries may not end up spending any less money on journals, should the gold open access model become dominant. From the early days of the open access movement, commentators have pointed out that the author-pays model continues to place the burden of revenue generation on the university (Chandler, 2004), and the possibility of continued inflation within this model is still a worry (Bergstrom, 2010).

Another of Anderson's points raises further questions about the role of publishers and the open access movement. With the proliferation of cheap, easy-to-use technology, anyone can write, publish, and distribute work online quite easily and make it free (Anderson, 2009). So why do

we need professional publications when the tools and skill sets needed to publish are available to any researcher or university? In fact, doesn't green open access already exploit this principle as it allows researchers to post their work in an institutional repository with a minimum of time and effort? But of course, anyone who has ever worked for a university knows that an article in a repository would be worthless without the knowledge that it was also published in a respected journal. What publishers really do is put stamp of approval on research. If an article is published in *Nature*, you can be fairly certain it's reputable, accurate, and perhaps even brilliant. The prestige and attention that comes with publication in a top-tier journal is what universities are really paying for.

To take Anderson's argument a bit further: if the web makes it so easy to create and distribute software that many companies can give it away for free, why don't we just make a free peer review system? Google provides the template for such a development. Its search algorithm is a perfect example of a tool that monitors the online reputation economy, assigning a web site a PageRank based on how many other sites reference it and privileging it in search results accordingly. The creation of PageRank was even based on earlier work in citation analysis (Anderson, 2009). Plus, Google gives nearly all of its services away for free. Surely, the scholarly publishing community could come up with something similar.

According to a recent article in *Wired*, many academics are doing just that. The recent Elsevier boycott, with its focus on the need to jettison the current publishing model, has called attention to a host of new services and repositories designed move scholarly communication into a new reputation economy. Experimental open access journals like PLOS ONE review articles only for

methodology, then allow the community to evaluate their significance post publication. Web services like Altmetric allow users to gather metrics on published articles, like how many times they were tweeted or “liked” by researchers on popular citation sites like Mendeley (Dobbs, 2012). The caveat with many of these projects is they, too, cannot be sustainable while remaining entirely free. Like advertisers pay to make Google free to the masses, someone needs to provide at least a modest revenue stream to even non-profits to keep them operational. PLOS and its affiliated titles charge author-pays fees for scholars who want to publish their work, in addition to accepting grant funds, according to the most recently available progress report (PLOS, 2010). Altmetric uses the freeium model, offering a free basic analysis tool, but requiring payment for more sophisticated services like bulk data analysis (Altmetric, 2012).

Ultimately, it’s hard to get away from the reality that universities and libraries will need to pay in some way for the ability of their faculties to publish, review, and access scholarly publications. The upside is that new models, from traditional open access to web-based nonprofits to grassroots peer review, may eventually require libraries to spend less, while gaining the benefits of greater access for faculty, staff, students, and people everywhere. Furthermore, if a large number of journals become free to all, libraries may feel better about breaking the big deal, relying on piecemeal buying, and forgoing perpetual access. It’s not easy to displace a huge, ingrained, highly-profitable industry; but if the stories of the television, music, and advertising industries teach us anything, it’s that advances in technology and new demands from customers will force the evolution even of behemoths.



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