W O R K I N G   D R A F T

University of California
Systemwide Library Planning

DISCUSSION PAPER

Challenges in Sustaining the Licensed Commercial Journal Component of the University of California Shared Digital Collection

Emerging industry practice for commercially-published electronic journals. During the four years of the California Digital Library's existence, digital journals licensed from their publishers have been a key component of the CDL's service, representing a major portion of the CDL collection and accounting for a majority of primary-content use.[1] Over this period, business models and practices have been evolving rapidly, and for the most part continue to do so, but at least two trends seem well-established:

a. **Bundling of titles.** Most commercial and large society journal publishers offer license contracts for bundles of titles, rather than licensing on a title-by-title basis. These "bundles" may include all of a publisher's digital titles, the subset of titles to which the library already subscribes in print format, various pre-packaged sets of related titles, or some combination.

b. **Consortial licensing.** Libraries have found it advantageous to come together in consortial groups to negotiate licenses with journal publishers. These consortial groups may derive from existing corporate entities (e.g., the ten-campus University of California system), existing library cooperative entities established for another purpose (e.g., the regional cooperative organizations established to broker services from OCLC, Inc., such as SOLINET in the Southeast), or from new initiatives established solely for the purpose of providing multi-institutional access to digital content (e.g., Georgia's GALILEO). An informal meta-cooperative, the International Coalition of Library Consortia (ICOLC), has even sponsored national-level consortial licensing arrangements (e.g., the national license for Lexis-Nexis Academic Universe, led by SOLINET but available to any library consortium that wishes to participate).

These trends present significant potential benefits for libraries, including:

a. **Reasonable transaction costs**. In the print world, libraries face significant transaction costs in acquiring journal publications. These include ordering and maintaining subscriptions, payment, inventory control and issue check-in, marking and binding. Indeed, these transaction costs are so significant that a modest private industry, that of serials agents, has evolved to aggregate demand and exploit efficiencies of scope and scale with regard to these transactions. In the digital environment, libraries avoid some of these costs (e.g., binding), but face additional costs: negotiating licenses, providing digital access, enforcing license terms, and integrating digital content with the library's other collections and services. The opportunity to manage some of these additional costs by negotiating a single license with a publisher for multiple titles is attractive, and is made more so by the further aggregation of procedures and costs by a consortium.

b. **Market leverage in setting of costs, terms and conditions.** The aggregation of demand and buying power across multiple titles and multiple institutions gives consortia enhanced leverage in negotiating terms and conditions, including prices, with publishers.

c. **Electronic access to a larger collection of content.** Bundling means that libraries may wind up purchasing access to titles that they had not subscribed to in print. This phenomenon is more pronounced with consortial licensing, where smaller libraries may gain access to considerable amounts of material that they could not afford to acquire in print, or in digital form if acting independently.

At the same time, these trends impose some notable costs on libraries. Many of these are hidden, or may only become evident in the long term, for example:

a. **Transfer of administrative costs from publishers and serials agents to consortia and libraries.** Many of the transaction costs previously borne by publishers and serials agents (e.g., tracking and fulfilling individual library subscriptions, managing accounts receivable, handling payments, accounting for subscription cancellations and additions) are effectively transferred to the consortium and its members. It is not clear that these transactions are handled more cost-effectively as a result of this shift.

b. **Sustaining marginal and unwanted journals.** Unpublished analyses[2] suggest that, through bundling and consortial licensing, libraries end up paying for access to journals that have only marginal value to the library's clientele. In this regime, there is little market incentive for publishers to cease publication of low-quality or low-demand journals, or to resist development of new journals.

Unpublished economic analyses[2] suggest that publishers gain a great deal through aggregation across titles (bundling) and institutions (consortial licensing). Not only are their transactions costs reduced, but they are able to set prices based on the value of their most highly-sought journals and the aggregate demand for specific titles across a group of libraries whose individual demands may be quite diverse. Current industry trends, including the wave of mergers and consolidations in the scholarly publishing industry over the past five years or so, suggests that the bundling of titles will continue to increase over the foreseeable future. In response, libraries are seeking to establish more and larger consortia to leverage negotiating power, but this trend further reinforces the bundling strategy of publishers.

Possible institutional responses to industry trends. The trends of bundling and consortial licensing, while providing tangible short-term benefits for libraries, ultimately appear to strengthen the market power of publishers. To counter this, several strategies have been suggested.

a. **Unbundling.** One approach is to "unbundle" publishers' title offerings, and license only those titles that offer high value to the institution. Unpublished analyses[3] suggest that this strategy may have only moderate value. When publishers' titles are ranked by cost-effectiveness (cost per use) or quality (as measured by citation counts), for instance, it is found that a publisher's "top titles" are also the most expensive. Eliminating the leastvaluable titles from a publisher bundle may turn out to save very little in total subscription cost.

b. **Disaggregation of demand.** Another approach, to be used in combination with unbundling, is to disaggregate demand by placing purchasing decisions and resources closer to the users and allowing those decisions to more closely track the actual value that users place on various titles. This strategy, if extended below the institutional level (say, to academic departments) faces a number of conceptual and practical difficulties (e.g., accounting for information resources needed for multidisciplinary research or for support of the undergraduate program; the readiness of departmental faculty to engage in and manage such a process). Of more importance, this approach sacrifices the benefits of economy of scope and scale and places greater negotiating power in the hands of publishers.

c. **New methods of scholarly publishing and communication.** Another way to address the problem is to bring about fundamental changes in the system of scholarly communication, in order to diminish the control of large publishers over the production of and access to published scholarship. Various strategies are currently being explored, including methods to assert scholarly control over publication (SPARC, BioOne, bePress) and access (PubMed Central, the arXiv physics e-print server, the Public Library of Science proposal), or to circumvent the existing journal publication system by fostering new technology-based methods of scholarly communication (the UC eScholarship initiative). At this time, it is not evident which, if any, of these strategies will be successful, but we can be sure that it will be many years before any of them bears fruit.

d. **Just say no.** Ultimately, the power of institutions and their libraries in the current system is manifest in their purchasing decisions – the power to choose not to buy. Academic and research libraries represent almost the entire market for many scholarly and scientific journals, and publishers have proven to be at least somewhat receptive to strong statements of concern when these are expressed by a large proportion of their customer base. To some extent, the unbundling and disaggregation strategies represent an attempt to assert the power to say no at the level of the individual title. At higher levels of aggregation, libraries and consortia have at best a limited ability to "walk away from the deal." The consequence of exercising consumer power at this level is to deny to an institution's faculty and students, at least for a period of time, access to published material that may be essential for teaching and research – a step not to be taken lightly, and only with the support of a broad consensus among the affected community.

---

[1] "Primary content" in the CDL includes published material, usually licensed from the publisher, and original content, such as manuscripts and images, created in or converted to digital form by the University and its partners. "Secondary content" includes catalog records, abstracts and indexes, and other information discovery aids, some of which may also be licensed from their publishers.
[2] Professor Theodore Groves, UC Santa Barbara, unpublished discussion paper, May 2000.
[3] Professor Mark McCabe, University of Virginia, unpublished research reports, May 2000.