April 1991

Publishing, Profit, and the Future: Jolanda von Hagen

Jolanda von Hagen
Springer-Verlag

Follow this and additional works at: <https://docs.lib.purdue.edu/atg>

Part of the [Library and Information Science Commons](#)

Recommended Citation

Hagen, Jolanda von (1991) "Publishing, Profit, and the Future: Jolanda von Hagen," *Against the Grain*: Vol. 3: Iss. 2, Article 18.
DOI: <https://doi.org/10.7771/2380-176X.1051>

This document has been made available through Purdue e-Pubs, a service of the Purdue University Libraries. Please contact epubs@purdue.edu for additional information.

If You're Hot You're Hot

Publishing, Profit, and the Future

by Jolanda L. von Hagen (President and CEO of Springer-Verlag)

Ed note: A version of this paper was given at the 1989 Charleston Conference. At that time, the "ARL Report" was on everybody's mind. However, in rereading it a year and a half later, We think some of the content is even more relevant.

It is not an easy task to bring publishers and librarians together. Especially when I know, or I think I know, that I was invited here to tell librarians about Springer's profit. Or to talk it away. But I won't do that. Because there is nothing wrong with profit. Absolutely nothing. I cannot explain other companies' profit, I can only with authority speak of our own.

Anyone knowing publishing can easily deduct from the information available about other companies' profit that that profit cannot possibly come from STM publishing alone. What, then, is the problem? Universities are a business, libraries are a business, and publishing is a business. And I think we all must make a profit. Mr. Duane Webster tells us in order to run an office he has to increase your fees. So, he has to come out with a straightforward bottom line. And that's o.k., that's the only way it can be done. To me and in my professional environment, profit is not a luxury. Profit is necessary working capital to continue a 150 year old customer minded - and that means author minded - publishing process. Profit to me personally, I must tell you, is like an ocean — clean, clear, and tranquil. I would like to plunge into it and bathe in it. For me, unfortunately, it is a dream that will probably be unfulfilled to the end of my days. For one, there are not many clean oceans anymore, and second, as I just said, luxury and profit are not going hand in hand in my company.

Are we not confusing profit with profiteering? Are we taking the exception as the rule? In the publishing industry as well as in any other industry I am sure there are companies that engage willfully in exploiting their customers. If we don't say profiteering but mean profit, what then are we looking at? Are we looking at those ambitious growth-oriented, stockholding driven conglomerates in which publishing is just a small, however important, part or are we talking about the relatively small and specialized publisher, who for decades has served a clientele and continues to provide and disseminate specialized and, yes indeed in many cases, esoteric information. Without that service, for instance, the papers on superconductivity published by the researchers not for immediate and widespread publicity, but to inform their colleagues and peers of their research and findings, would not have been published. As we know those findings finally lead to the Nobel prize. Those papers would not have been published had an editor of a journal not accepted and recognized them to be valuable information. Are we willing to say "if we need to publish for the Nobel prize, let's do away with that" too?

Huge profits in STM publishing are a dream. And I will show you later why. Let me dwell a bit on basics and things that are happening. I am certain everyone here can name at least a handful of once upon a time good publishing houses. Good by whose standards? I would say the customers, of course. The customers, also the librarians. They provided the service needed and wanted, paying for it from their profits. Obviously, the profit was not enough. The changing environment has changed their scope and their priorities. They have moved with the times and are ambitious to own a piece of the information world. They have recognized the prediction that

many, and I am sure including some of you, make. So, many of you say publishers, and scholarly publishers in particular, are a dying breed, and if they do not die by themselves we help them to die. But let me ask you, and I'm not being facetious when I do that, if scholarly publishers are a dying breed, what then does that make the academic librarian — an endangered species? Mr. Webster had taken the words out of my mouth that all will change because you will become much more alert. If we look at those large companies again, they don't have the desire to become extinct. They have already reacted or soon will react and will become multi-media giants involved in electronic transfer, CD-ROM, video and publishing on demand, to name just a few of the new technologies. And as they move in that direction they take with them and integrate the small, specialized publisher that is overwhelmed and threatened by the ever faster moving technological information transfer.

If we now look at the ARL report that stipulates that publishers are only interested in profit, one can say yes, indeed some are. Following the ARL report again it can be said indeed societies can and some do publish their own material. I will show you later that some also come to commercial publishers. And I can say yes, indeed, universities can and some do publish faculty material. I would be interested to know, however, which funding organization, governmental, industrial or the alumni, would support promotion, distribution and warehousing operations. Yes, indeed the trend will continue and escalate. Universities and societies will engage in electronic information transfer. But who evaluates, sorts, consolidates, prepares and controls the information for transfer? Who puts together an index, and what is the librarian's role in that scenario?

There are good and there are not

What do you say to your faculty colleagues when they ask about a title they ordered a few months ago and it still has not arrived?

"Well," you reply, "we ordered it right away. Since it had been published recently, we expected it to arrive. Instead, it was reported 'out of print' or 'out of stock indefinitely,' I don't recall which."

OUT-OF-PRINT SEARCHES

Oliver's Books

Then you go on to explain that you will have it searched, but the reality is that very little time is available to work with these desiderata and such "new" titles won't end up in the book trade for some time.

HELP IS AT HAND. Oliver's Books specializes in finding such books, and I have contacts in the book world built up over the past thirty years. I worked at Pickwick Book Store in Hollywood many years ago and for twenty years was the chief book selector for the academic approval plans of Richard Abel and his successor, B. H. Blackwell.

Older OP titles you need will also be sought, of course, and I will supply quotes before shipping or ship and bill according to your guidelines.

I'd be pleased to serve you. Do give me a try.

Oliver T. Sitea * 018 SW Alice Street * Portland, Oregon 97219 * USA * 503/245-6069

Hot U Hot *continued*

so good things in the ARL report. One I think is a very serious error. The report highlights that costs of journals fall into five categories. And that these five categories constitute everything that is needed to publish a journal (at least, as a publisher that's the way I read it). The five elements highlighted are 1) editorial labor; 2) typesetting; 3) printing labor; 4) paper cost; and 5) postage. Any publisher will immediately tell you (and Mr. Pieter Bolman, Managing Director of Pergamon Press, has done that already this morning) that those five categories are in most cases, and they're definitely for Springer-Verlag, outside or fixed costs. Some publishers may indeed own a typesetting or printing plant, but I venture to say that they, too, cannot get preferential cost. They may in some cases get priority in time. So none of these categories can really be influenced by the publisher or by the publisher's effectiveness of belt tightening. Most importantly none of them adhered to the normal inflation or cost of living index increases. The percentages of fixed or variable costs differ for each journal.

If we look at the five items listed individually then we find that: the editor in chief, and for a scholarly journal that is always a person outside of the publishing house, tells the publisher how much time he or she spends using the university computer or how much time his or her

secretary spends for the journal and therefore how much money the university wants to be reimbursed for. Not to speak of his own time. If we look at items two, three, and four, typesetting, printing and paper cost, we may find that indeed typesetting has decreased due to technology. Paper, however, has increased much more than the average rate of inflation and this is true in the United States as well as Europe. Postage in many European countries and certainly in Germany is set by the government. In the United States, as we know, only the journal itself, its frequency, and weight allows the publisher to negotiate the postage rate. The serious error therefore lies in the ECS study and using the ARL as subject matter experts, conveniently overlooking the in-house expenses. I think it is faulty to say "we assumed that the U.S. cost model could be applied to other industrial markets, labor markets, and the technology and/or access to technology." It would all be similar. Who then, may I ask, pays for the technology? Mr. Webster has confirmed that we have offered to get together, STM publishers and librarians, to further discuss journal publishing. I've made that offer in June 1989 and I hope he will take us up on it.

Since I cannot go into detail in showing you the economics or the real cost or what triggers the cost, or what triggers the expenses in journal publishing I will only

show you a few examples. I will show you a start-up journal, a non-profitable journal, a profitable journal and a society journal. Let me just quickly run through the items listed. Obviously I cannot give you the real name of the journal, but these are real calculations. The name is the only thing omitted from these calculations; they are taken out of our financial reports.

For publication of this presentation the charts are omitted and only summaries given.

Example I tells you that this journal was first published in 1988, that it has one volume, four issues, mfg stands for pages manufactured excluding the covers, in this case 320, the manufactured ad pages, meaning advertising pages including the cover, the number of subscribers in the first year, 544, the per issue print run, 2,200, and the subscription rate, \$120. It's easy to calculate what the revenue should be if you deduct the discount given to agents, then you can calculate what the actual income is. There were no back volume sales.

The advertising, in most journals nil, in this case brought in some money, so did the offprints, for authors, editors or industrial customers. This is the total revenue. The next part of the

calculation is what the ARL report includes, namely the cost. The paper, printing and binding, we call it manufacturing, the editorial and the offprints, also manufacturing, advertising also cost of manufacturing and whatever royalties are to be paid; because sometimes we pay royalties. If you deduct the revenue from the cost you will see the publisher made profit. The calculation shows that the total production and editorial cost indeed left a \$10,000 gross profit. But now come the general expenses omitted in the ARL report. Without the publisher's involvement you still don't have a journal. Someone has to pull it together. Someone in house has to coordinate with the editor outside, someone has to actually do the production and someone indeed has to put the ads together and someone else has to go out promote and market it, and someone else again has to give you your renewal notices and indeed has to give you your missing issues, and yet someone has to check whether the money has come in. So these are the actual, total "general expenses" as they are generally referred to. And if you see that this then leaves a loss of \$28,000 it is not fiction, but fact. The first year the journal is a losing enterprise but we don't look at a journal as a one year activity. The loss will have to be borne by the publisher and is considered investment.

With example II we look at a journal that has been first published in 1985. I don't need to go through the whole details again, because they are always the same, the number of volumes, the releases meaning the issues released and so on. But in this case I think it's important to see - and this is why you are sometimes angry with publishers - how the release date of issues jumps. In the first year there were three, in the second year four, in the third year five, and in the fourth year four again. We hope it keeps to four now. When you have that unpredictable movement in number of pages and issues it is very difficult for a publisher to estimate the number of subscribers for the new year and how many copies are needed for promotional distribution. These projections allow the publisher to estimate a print run and price. There are no guarantees that the estimates are close to reality. A loss may occur; no

one knows how high. The first and second year constitute the biggest risk for a journal.

In this case the risk continued into the third and fourth year. The journal started out with 165 subscribers and in 1988 just barely made it up to 290. The question might be, since the publisher still loses money and cumulatively has lost a lot of money, why is it continued? If the publisher acted on that question immediately, more than half the journals would be discontinued. I don't think you would like that, and I know editors would not go for it. The

"But I must tell you if I look at this and I look at the other journals that make money I have to wonder whether the others can make enough money to support this?"

publisher wants to serve science and we at Springer have made the commitment to do so and stick to it. But I must tell you if I look at this and I look at the other journals that make money I have to wonder whether the others can make enough money to support this? We can only trust that the quality everybody has been talking about this morning will come through and the journal will stay around for much longer.

With example III we look now at a journal that makes money. The journal was published in 1976. The price for the journal was \$80 in 1982 and \$108 in 1988. So there is your big price increase as alluded to in the ARL report. The income derived from it ranges from \$116,000 in 1982 to \$184,000 in 1988. The jumping numbers of issues from 4 to 3 to 5 to 4 to 3 to 5 and the number of subscribers, in 1988 1,488 - the numbers were not much higher in between - indicate the difficulty in planning. This journal is really in a very popular field and primarily has individual subscribers. This journal has indeed been profitable. The journal having been published in 1976 I can tell you it made profit in 1981 for the first time! The years before it had accumulated losses of

\$142,000 for the publisher. In the last 7 years it has made \$364,000 profit. So the net profit for this journal over the lifespan of 13 years for the publisher is \$222,000. That is \$17,000 per year. I ask you is that excessive?

Example IV is a journal that, as we were told, was in dire need of revival. It was published by a society and as a society journal was well received and everyone tried to convince the publisher that the journal was needed! The members of the society filled in a questionnaire with the result that the overwhelming majority wanted the journal. The society needed the journal to sustain its membership, but could not come up with the funds to continue to publish the journal. The society had to go to a commercial publisher. Here again is the erratic move in number of issues; from 8 to 5 to 6. The number of subscribers moved from 5,421 to 5,957 (1982 and 1988). Two

thirds are society members. And as we all know society members always get a preferential rate set by the society and the publisher has to adhere to it. Six issues in 1988 with 932 pages, three and a half pages of advertising, 5,957 subscribers, 7,100 copies printed overrun for promotional purposes — sample copies at congresses, the society uses issues as promotion material and so on — were published. The subscription rate is \$139. In 1982 the journal made a profit. It had 8 issues released, the price was \$79; it made a profit of \$28,000 and had 5,421 subscribers. Looking at 1988 and the years in between, you will note that there must have been difficulties because there were losses. With a loss in 1983 and in 1984 the society decided that the number of pages had to be increased from 840 to 1,050. But the society was not willing to increase the fee for their members. The publisher had to decide whether to increase institutional or personal rates. The market would probably not accept that, so the publisher did not increase the price except for the postage increase due to the higher number of pages. The result was losses in both years. Looking at the prices again in the following years we can see that the prices did increase, not dramatically, and the result is that the publisher made a profit. Over the

Hot U Hot *continued*

seven years discussed the journal made a cumulative profit of \$54,000. Excessive?

What most people don't know is that with the contract signed between a society and a publisher the society has two advantages — no risk (if there is a loss the publisher has to carry it) and a profit share. In the case discussed 60% of the profit goes to the society and the publisher is to retain 40%. One more important item has to be observed. Under the cost is an item — editorial expenses — in a relatively high amount and also royalties. The editorial expenses are for the editorial office; the editor is assigned by the society but paid for by the publisher. The society receives a royalty from the income of society members' subscriptions. Without any risk involvement, the society gets approximately \$110,000 for the year 1988. It is a society journal and the society is obviously more than happy with a commercial publisher. When the publisher opened discussions recently that the compensation is not adequate for all services rendered, the society stalled. Societies say let's talk about it, but it takes a long time until it comes about.

These are journal calculations with profit and losses, that I wanted to share with you. Indeed Springer-Verlag publishes roughly 280 journals and you can imagine that we couldn't do that if we didn't have some other journals that make profit. We have journals that have been in existence for many decades so they do make profit provided their subscription base has not yet eroded to a point where even that is not possible anymore. Thank you for your attention so far.

In my view, however, there's another grave misunderstanding in the ARL report. The price increase of journal samples as given is the same as for a total list. I must say that none of the recipients of the letter from Elsevier, which was where this fact published later was stated, found it necessary to take the "research" further. It would have been helpful — and fair — to check with publishers first before erroneous information is published. The report stipulates often enough the fact that both are experts in informa-

tion transfer, and that these two very important channels of communication should link and work together to find better ways to operate within the constrained library budgets and continue to be an efficient and effective service operation. I am delighted to hear Mr. Webster say that this will happen. The ARL report again raised the level of emotions because some publishers have expanded their publications and raised their prices to a degree that librarians are opposed to. The conflict between publishers and librarians seems paramount. If I look at the publishers and read carefully the librarians publications, I find much interesting information there and I must say that the ECS study would have been well advised to speak to Dr. Campbell of the Perkins library at Duke University because he has known for some time and he has said so in a meeting in summer 1988: "what we are witnessing is not a unique course of events. The current unfortunate crisis in pricing is a temporary and passing phenomenon, but it has occurred at just the right moment to join forces with and to some degree to

disguise the real challenge confronting publishers and research librarians at this stage." And he continues to say: "publishers and those who depend on their product — universities, scholars, libraries — are presently living through a watershed period in publication of the intellectual record during which sufficient new and powerful dynamics are present that we are forced to re-examine and change many of our customs and practices related to publishing."

I'd like to leave you with another quote, this time by Alvin Toffler, the author of *Future Shock*. In a symposium held in 1987, he pointed to a study called "The Coming of a Book." "It was established that some rather unusual

manuscripts made their appearance in 1450 in a northern region of western Europe. Those manuscripts were printed on movable type. These new books were to cause profound changes not only in the habits of thought but also in the working conditions of secular and religious scholars, the great readers at the time. The changes soon broke the bound of this original audience and made considerable impact in the world outside."

If we change the word book to say "the computer was born in one of those creative periods of change and transition which all lasting civilizations go through," Toffler continues to say, "the changes and transitions that we see today are not limited to the publishing industry but are a part of a historic transformation of which we are feeling the impact as authors, editors and publishers." (and I might add librarians) "We have served that past, but we are all inescapably involved in developing the non-primitive future. New technologies like computerized video, artificial intelligence, speech recognition, automatic transfer, automatic translation will all act directly on the deepest elements of culture, language, time, logic, perception, and levels of abstraction. In short, the new modes of communication and knowledge organization imply changes in the way we think and at least are as profound as those brought by the book in 1450. The study concluded that the book was one of the most potent agents at the disposal of western civilization. It assembled permanently the works of the most sublime creative spirits in all fields."

And you, the librarians, are now preserving them. I like to believe that books and journals will continue to do that right alongside the computer, the video screen, and new communication medias. And the author of *Future Shock* continues to say: "the need for communication technologies will continue to explode exponentially into our environment changing the function and relation of all existing media and communication channels." I think this is what we are now facing. Therefore the changes will not come by changing the publishing industry. Technology, research development, and the scientific activities will force those changes anyway.

Hot U Hot *continued*

Publishers and librarians alike must examine the role that history, culture and tradition has given us to play. Let's move with the times and change our approaches, let's do it together by understanding each others' business and needs. Many activities are going on in publishing houses that will change the librarians lives and many activities are going on in the libraries and organizations such as the Corporation for National Research Initiative working on the digital library project that we all have to re-examine our role.

If we want to continue to play the vital role in information dissemination, we should share the information that we have together. 🐘

Upcoming Conferences

We fell down on conference reports with this issue, but here is a listing of things that are coming up soon!

• North American Serials Interest Group, June 14-17, San Antonio, Texas

• Acquisitions '91, April 10-11, Minneapolis, Minnesota

• Society for Scholarly Publishing Annual Meeting, May 22-24, Philadelphia, PA

American Booksellers Association, June 1-5, New York, NY

ALCTS Acquisitions Regional Institute, The Business of Acquisitions, June 6-7. Boston, Mass.

Solinet and The Commission on Preservation and Access, Preservation Management for College Libraries, July 20-27, Lexington, VA

ACQNET *continued from page 4*

University), Richard Jasper (Emory University), Carol Chamberlain (Penn State University), and Rosann Bazirjian (Syracuse University). The editorial board helps me figure out the editorial policy, or anything I am unsure of. Among issues we have dealt with is this one: how much duplication should there be between ACQNET and Marcia Tuttle's *NSPI*, *SERIALST*, and *ATG*. As little as possible, we decided. We did not post a contribution which we knew would appear in *ATG* and Marcia and I negotiate frequently how we will use information that overlaps both networks.

ACQNET's editorial policy is simple: members discuss anything they want. However, they need to keep in mind the other existing networks and newsletters. Feature articles or reports should generally be submitted to *Against the Grain* or other appropriate newsletters or journals.

The main focus of the group has been on acquisition of monographs

and serials, and related subjects. The most important issues or topics we have discussed include acquisitions journals, the ALCTS reorganization of collection development and acquisitions committees, approval plans, BookQuest (Faxon), and out-of-print buying, the Soviet serials distribution debacle. We also deal with many very specific issues, such as what vendor to use for Lebanese materials, warning each other about the latest Gille imprint, or how to deal with vendors who require prepayment.

Last night I signed on our 125th member. I have no way of judging whether we are growing fast or very fast compared to other networks. It seems to me that this growth is pretty fast. It feels fast. We are an international network, thanks to our Canadian members. We are not yet trans-oceanic, but can this be far away? I doubt it.

Anyone interested in joining ACQNET may do so by sending me an e-mail message by
CBY@CORNELLC (Bitnet) or
CBY@CORNELLC.CIT.CORNELL.EDU (Internet).

Guidelines, Guidelines, and More Guidelines

At the 1991 ALA Midwinter Meeting, the Acquisitions Committee of the Association for Library Collections & Technical Services (ALCTS) Serials Section announced progress on drafts of several documents of interest to the serials community.

The *Guide for Handling Library Orders for Serials and Periodicals* has been forwarded to the ALCTS Publications Committee for final approval. The *Guide to Performance Evaluation of Serials Vendors* is in its second draft; the Committee hopes to begin distribution to interested groups within ALA and the publisher/vendor industry for comment. An extensive glossary of serials and acquisitions terms and a bibliography

on serials vendor performance evaluation are nearing completion; final drafts are planned for spring 1991. Questions concerning these manuscripts may be directed to Jana Lonberger, Chair, ALCTS Serials Section Acquisitions Committee, 2564 Wildflower Lane, Snellville, GA 30278, (404) 894-4517 (BITNET: JLONBERG@GTRI01.GATECH.EDU). The Committee is also planning a public forum at the 1991 ALA Annual Conference in Atlanta; further details will be announced at a later date.