Budgets, Services, and Technology Driving Change: How Librarians, Publishers and Vendors Are Moving Forward

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Budgets, Services, and Technology Driving Change: How Librarians, Publishers, and Vendors Are Moving Forward

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The following is a lightly edited transcript of a live presentation at the 2014 Charleston Conference. Slides and videos are available at <http://2014charlestonconference.sched.org/>

Meg White: Well, good afternoon and welcome to one of our Neapolitan sessions here at Charleston. You have come to Budget, Services, and Technology Driving Change: How Librarians and Publishers and Vendors are Moving Forward. So, if that's not the session you want to be in, now is the time. My name is Meg White. I am the Executive Director of Technology Services at Rittenhouse Book Distributors. I am joined this afternoon by Kittie Henderson, who is Vice President, Academic, Law, and Public Library Markets for EBSCO Information Services. We welcome you and thank you for choosing to spend some of your time with us this afternoon.

Over the next hour, in the true spirit of Charleston Conference, we hope to be able to share some industry data that is relevant to all shareholders, librarians, vendors and publishers. No matter which role we play in the information distribution chain, we share a common goal to increase access to scholarly information. Kittie and I both work for a distribution company, so we occupy a pretty unique viewpoint in terms of the information distribution chain. Essentially we are two customers. The libraries for whom we work provide materials and services, but also the publishers whose information it is our job to disseminate as widely and broadly as possible. This perspective allows us access to key data from both of these stakeholders. And Kittie and EBSCO were kind enough to collate some of that data through a survey that's been conducted from mid-September through mid-October of this year. So, very, very recent data. This data talks about and focuses on key financial strategic acquisitions and technology issues. So, it's that data conducted in that survey that we're going to focus on today.

And hopefully, again, in the true spirit of Charleston, generate some Q and A with the audience during the session as well. So, we will save significant time in the end for your questions or comments. Please do take note as we go through and we'll save that for a discussion after we take a look at the data. With that, I will turn the podium over to Kittie and thank you for your kind attention.

Kittie Henderson: Thanks Meg. Now, I am acutely aware of the fact that we stand between you and a happy hour/poster session. And I mostly believe that this data is just infinitely stimulating. However, I do realize that not everybody might share that so some of these points I'm going to move through fairly quickly. We will be taking questions at the end, so with that let's get started.

First of all, as Meg mentioned, I am Kittie Henderson. I've been with EBSCO for 23 years. I like to say that I was part of the kindergarten recruitment program as some of them are in the room that I have known since I started. But we see tremendous change in libraries and, in the entire information services industry. Numbers have changed drastically in the last decade. So, the talk is divided into a few key points and, we're going to transition through this.

Just an overview of the company, librarian trend data, the key trends, market factors and then focusing on the long term. EBSCO is an acronym that stands for the Elton B. Stephens Company. There really was a Mr. Elton. I'm lucky enough to have joined in the years while Mr. Elton was still very active. If you would like to Google EBSCO Industries you will get the home page for EBSCO Industries and it will talk about some of the elements of EBSCO. As you can see we are ranked 8 of 10 in Google ranking. We have a Dun and Bradstreet rating of 5A1. That is the highest rating available to a privately owned company. Now, there's been a lot of disruption in the market.

There are several sessions here that talk about the situation in the market. I'm not going to beat that because a lot of other people are already talking about it. But 5A1 is the highest rating available. We are also listed each year in the list of the top 200 privately held companies by *Forbes* magazine. So, we are a very large and very financially stable.

As I mentioned, EBSCO was founded by Mr. Elton in 1944. We generate over \$2 billion a year in annual sales. The Chairman of EBSCO is family owned. It's owned by the Stephens Company. The Chairman is Jim Stephens. And Tim Collins recently became the fourth president of EBSCO. Tim Collins is the founder of EBSCO Publishing which, is our database division. And if Tim were to be here he would tell you the story of meeting Jim Stephens about 25 years ago when he was doing a little product called Magazine Article Summaries and he was in the basement of his house. Some of you have heard story. So, Tim is a man with great vision, great pride and tremendous energy.

All this, for this presentation we surveyed 200 major academic library customers and we got a 25% response rate. In past years we've done the survey on all market types but this year we restricted it just to academic. As you can see it was pretty evenly divided between college and universities and ARL libraries.

Just like with the libraries survey, the people who responded were the decision makers with nearly half of them being the executive people. Nearly a third being sales and marketing and 21% or 20% being operational people.

I don't have to tell you in this room what the landscape looks like. You know that. That's why you're here. Under the economic situation the library, and in fact, all of the economy did a hard contraction in 2008, 2009. Budgets plummeted. When cash revenue plummets, budgets plummet, orders plummet. The entire market went through a dramatic downsize during that time. In the decade prior to that we got a big deal in the packaging of content. We saw the rise of different metrics to evaluate collections. We had a few ways of finding content in discovery. We have some new acquisitions models in PPV. The open access movement, we're into that.

E-books, we went from having print books to e-books and we're going to talk some about what we did during that time.

Library budgets are never in the discussion. And as you can see, and I'm not going to do this on all the slides, although I do have the data, if any of you want to talk about it. Library budgets, at least for the people responded, of this year, and as you can see the 2013, 2014 most recent data is to the right, 35% of people indicated that they got some sort of budget increase. And this is confirmed by a survey that ARL did last year. I joke that flat is the new up. There for a while if you were flat you were actually doing really good. Budgets are flat. But the good news in this is that, you see the far column to the left, the decreased more than 10% that number is now down to 2% of respondents. This is a good thing because it means that we're starting to stabilize.

Now, we also surveyed publishers and we asked them if their budget was starting to recover from the economic downturn. As you can see, 81% indicated that it was. This is up from 2011. Only 32% of people responded with their budgets were starting to recover. By 2012 that number was up to 50%. So, the good news is that the recovery, while it is not like the tide flowing back into the harbor, things are improving.

Okay, it's not an, an EBSCO presentation without at least one mind numbing chart. Um, and I spared you the 22 years, up to 25 years, of library journals serving this pricing data. I'm one of the coauthors of the library journal's serials pricing article along Steve Bosch at the University of Arizona. Each year we publish this chart with our annual fall price projections and the way we calculate the annual historical price increase by libraries is that we have a sample set of accounts. So, we treat ARL libraries as one group. We treat non-ARL four-year universities as another group, and then include your academic biomedical here because increasingly academic biomedical comes under the general. But this tracks the average price increase for that group per year. Now, if some of you have tracked this over the years, you'll know that there is variation each year we go in and we review every library in that group to make sure that they're still appropriate. But, as

you can see, there were increases in ARL and college/universities have been about the same with academic medical. Now there, the evaluative tool applied to this is always the consumer price index. I personally don't believe that is appropriate. But as you can see in the 2013 column that library budgets were going up 5.5% when library costs were going up 5.5% and 6.1% .

The consumer price index was 1.5%. I think there's two different sets of market factors in play here. But this is the way people present the data. This translates the mind numbing chart into a line graph. And once again it talks about price increases and annual rate of inflation. What is missing from this chart is the budget data that you saw a few slides ago.

Journal Pricing

Annual EBSCO study of publisher prices

Serials price increases vs. inflation

Annual Historical Price Analysis by Library Type (U.S. Libraries)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
ARL	9.8%	8.4%	7.6%	8.5%	8.8%	8.3%	5.0%	5.1%	5.7%	5.5%	5.9%
College and University	9.3%	7.9%	7.8%	8.6%	8.8%	9.9%	5.4%	5.1%	5.7%	5.5%	6.0%
Academic Medical	9.4%	8.6%	8.3%	8.8%	9.3%	9.9%	5.9%	5.8%	5.6%	6.1%	6.2%
Consumer Price Index	2.7%	3.4%	3.2%	2.8%	3.8%	0.4%	1.6%	3.2%	2.1%	1.5%	

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EBSCO handles a lot of e-packages. And, uh, we looked at 3,000 of those and this data is less than a week old. We looked at 3,000 of the e-packages we handle and the average price increase on the e-journal package was 6.6%. Now, I'm not going to belabor all of you about how the, the inflation of e-journal packages work but this has been, I want to use a highly scientific term, nudging up over the last few years. In 2010 the average rate of inflation was 5.1% and in 2013 it was 5.5. So, it's gone up an entire percentage point in a year.

The reason for that is a number of people have been renegotiating e-journal packages, and there is a slide about that later on. But we analyzed the average rate of price increase per package per publisher and yes, the numbers are changed to protect the innocent or the guilty depending upon your perspective. What you're seeing in publisher package A is pressing. So, a shift in the basis of their pricing.

We asked the publishers what they were likely to do in the coming year. And as you can see, and this is not all publishers, 91% indicated that they are likely to increase their prices. This is up from 85% last year. 9% indicated that they, are likely to decrease, they'll have a pricing decrease. And once again, the way this usually happens is with a pricing model change although some people do go through and relay what their pricing model. And if any of you in the room are from publishers and you want to speak to them I'm comfortable with that.

The average expected publisher price increase by 2015 is somewhere between 5 and 7%. And this is pretty much where it's been for the last few years. During 2009, whenever we have recession price increases were at their lowest point. And ever since then they have been slowly building. My colleague Steve Bosch once said, and actually wrote the section of the article last year that said that this rate of price increase was enough to maintain the publishers, but it wasn't too high. I don't know if I agree with it but this has been the way of the profession for the last three years.

People are always talking about what they do in response to fitting into their budgets and how they reallocate their orders of their content so that they can fit into the budget. And as you can see, we asked librarians what they plan to do, what strategies they plan to employ with their budgets. We're thinking of move from print and move to online only. 86%, everyone in this room knows that in North America this has been going on a long time. And most libraries do this every year, they go through, they evaluate anything that can move, a lot of times they do. 46% as you can see indicated that they did not move e-journal

packages. This is up from 34% last year. Which is really interesting because if you look at the renegotiated multiyear e-package deals, that is 74%. That is the same number as last year. So, there are a lot of people out there, when their e-journal contracts come due they are renegotiating. And then the alternative OA content, that's up 10% from last year. In a session earlier today we were asked about open access. You don't hear as much about open access right now as you did in the past. About 10% of the librarians who responded to the survey are seeking open access content.

Now, it's not a serials presentation without a slide about the print. And you were supposed to laugh at that. Okay, we once again we surveyed the publishers and we looked at the North American market. As you can see the number of print orders continues to decline. Having said that, print is not dead yet. And I don't think print will disappear in my career. The publishers who run dual systems to produce public print and online still have the double cost. Even though print is declining in North America, that is not necessarily true in all parts of the world. Europe in particular has a different tax structure so, any places without strong internet connectivity, print remains quite strong.

Over the years EBSCO has made a substantial investment in handling the electronic order

transaction. And in EBSCO we don't refer to them so much as orders as we do as financial transactions. Because literally that's what we do for you. We transact business. As you can see the print has leveled off. Print P plus E continues to decline as indicated whereas electronic only continues to grow.

These pie charts represent our revenue distribution by format. As you can see in 1999 we were 88% print. And I was with the company then and we thought that 80% that was print plus online, we were cool. Now, as you can see electronic only is 73% of the transactions we handle and print plus online is 11%. So 84% of business that we currently transact has an electronic component. And that number grows every year.

Print continues to decline

Publishers' print revenue this past year

EBSCO

Growth of e-only

EBSCO's revenue dispersion by format

EBSCO

We asked the same question of publishers. And we ask where their business growth was. As you can see, the number of e-journal, individual e-journals is still a substantial part of their market,

it's 44%. There is also a substantial increase in the number of packages for which they service orders. So, the largest segment of your business are the packages when they offer them.

Growth of e-only

Publishers' e-only business this past year

Individual e-journals

E-packages

EBSCO

Once again, dealing with the budget realities. Once again, the number of people who dropped from print plus online to e-only went up by 6% this year. It was 80% last year. They're renegotiating multiyear deals. You hear a lot in the press about people who dropped out of big deals, wrapping up big deals. You know, it goes in cycles. The reality is, is that while people talk about it they don't really seem to do it a lot. I think publishers have been very responsive to that and I think librarians have also. I think people have worked to meet in the middle.

We asked librarians where they plan on spending the greatest percentage of their budgets this year. As you can see the biggest increase on spending, they think is going to be in individual e-books. And this followed by individual e-subscriptions. Now, go back a slide in your mind and remember that, that number about 74% renegotiating packages. You'll find as you go through this survey that what people say they're going to do, this lady in the front row is smiling. What people say they they're going to do and what they actually do can be two entirely different things. The way that people responded to us. If you are looking at the e-journal packages, at 27%. That actually dropped. It was 41% in 2012. So, if people say they're not going to do it and yet they do it.

Discovery solutions, the 17% is unchanged from 2012. The people who planned on spending money in 2012 on that voted the same way this year. Print books, can you believe print books went up 2% in this survey? How many of you are spending 2% more on print books? Perfect. Never want to hear this discussion prior to this.

Now, this is the slide some of you have been waiting for. This is the publishers' view of the big deal. We asked publishers "Do you think that the big deal will be around in 5 years?" And as you can see, 38% indicated that it was very likely. Interestingly enough, this is up from 29% two years ago. So, it's increased almost 10%. In the somewhat likely category with 44%, that has increased from 33% just two years ago. So, publishers believed that the big deal is, is getting stronger. Unsure, fewer of them are unsure than there were in 2012. In 2012 they were, 10% not sure and now only 6% are not sure. So, people are buying content in packages and that's what the response from the publishers indicate.

We asked what publishers are likely to do because the big deal seems to be continuing. I don't particularly like the term the big deal, but package content and when we asked publishers what they plan to do with this publishers are also very

cognizant of library budgets. As you can see, 74% indicated that they plan to offer smaller subsets of their content. This up from 52% in 2012. So, I think that is a significant increase. I think you would agree. A smaller percentage indicated they planned on offering even bigger e-journal packages. And 27% response is exactly what it was two years ago.

So, we asked publishers about the pricing model because when e-journals were born, as you know, it was based on the print model and ever since then everyone in the industry is searching for the holy grail of the perfect pricing model. And people are nodding because I have talked about this with a lot of the people in the audience. There is no perfect pricing model and no matter what pricing model publishers choose someone is not going to like it. But, when they asked this year, 23% said there's a plan to move to a tiered pricing model. That's about the same as it was two years ago. 6% said that they plan to reduce the cost per unit of e-journal packages. That is actually down from two years ago when 12% indicated that they planned to reduce cost. And then on increase in unit cost, 39% is up from 34% last year. So, essentially within a few percentage points it's pretty much the same as it was two years ago.

Publishers content plans. The way publishers grow, as you know, is by either start new titles or they buy them or the buy other companies. There are a lot of comments in the market about the big five publishers. I can tell you that from doing the library journal serials pricing article that we look at this in an amazing, mind numbing level of detail. That, of the publishers in the Morsch ISI indices, more than 60% are from the big five. The big five are truly the big five. They're Exeter, Wiley, Taylor & Francis, Sage, Springer.

The way that they grow, and a number of you are from publishers, is that they add, they will start or acquire titles. The start titles is up from 52%. A 52% response rate just two years ago. So, that is a significant increase. Interestingly enough, we have a slide coming later on about open access and the people who planned on starting new journals that were open access. That was the thing a few years

ago, or even last year. That was where you saw growth in the publishing industry. The publisher's response on this didn't change for this year.

I am always looking for an updated slide on this and those of you in the audience, you and I talk ad-infinitum about the percentage of your budget spent on serials and how this goes up every year and how the percentage shifts. This is an example from the University of Oklahoma library. I chose this because this is this year. But, these percentages are fairly universal across libraries. And I don't have to tell you. I think some of you in the audience can document this far better than me. As serials have gone up over the last decades because it's not always a phenomena. The percentage of your budget can still buy serials increases. And, the amount of your budget can still decrease. That trend is bucked somewhat by e-books, but this the money.

This is a slightly older slide but it's still is very true. There is concern in the market about the percentage of your budget allocated to big deals because, as I don't have to tell you because you're under contractual relationship you have a percentage of your budget already allocated each year before you even get it. And you're amount of discretionary spending depending on what items with your budget may or may not go up. So, this is a concern, this continues. And what this does is this puts pressure on smaller publishers because when you have to pay the fill in the blank bill, what do you do? Cut 'em. It's the only thing you can do.

Now, there's a, a widely held premise in e-journal packages that 20% of the content accounts for 80% of the usage. I chose this example because this data was presented at Charleston last year. But in this, just like I'm sure in a lot of your individual cases, 20% of the titles do indeed get 80% of the use. And that is fairly consistent across general academic libraries.

Recent surveys, and frankly a lot of the news videos, talk about the way that we as librarians acquire what content. And this is going to come as no surprise, people in the room: usage, it's all about usage. Use it or lose it all. We surveyed librarians and we asked, "What's the most important metric in making content decisions?" And this year 100% of the people whose, of the librarians who responded indicated that usage and cost per use was one of their main metrics. This is up from 83% just two years ago. Why do you think this is? I think it's a couple of things. I think it is budget pressure. But I also think that it is the maturation of a technology that better provides this data. We have better tools. Interestingly enough, faculty recommendations remains approximately the same. Historical price increases, the number of people who considered that factor went up a little bit, from 38 to 45% but, but not a lot. Value metrics is where there are some changes. In the past this has been things such as the ISI Impact Factor. But now it's

looking at things like alternative metrics, which we will touch on later. It also looks at the way your content is discovered. And as you can see the discovery market, discovery, discoverability, be it through products such as Summit. I'm going to try to name everybody so if I miss somebody go ahead and shout 'em out. So, you've got Summit, you've got Primo, you've got OCLC, and you've got EDS EBSCOhost. And we're the big ones on the market. As you can see, of the people, of the librarians who responded 75% already have a discovery service. This is up from 41% two years ago. So, that shows the market penetration and the move to discovery services in a very, very short time. And that is what's driving a lot of your usage.

I love the title of this slide. I'd love to say I came up with it, but, publishers get it. They understand that use is driving the the selection and the retention of content. If you'll notice 100% of the publishers who responded indicated that increase in usage was the main priority. And these, these numbers are unchanged from two years ago. So, publishers have understood this landscape for a long time. And you see very good use of the statistics, you see supporting of it. I always point out, and I see a few of my publisher friends in the room, that increasing usage actually ranked above increasing sales. So, you guys were supposed to laugh at that.

As part of this, we are looking at a new way of evaluating and we've had COUNTER, and we are looking at new things like Altmetrics. These are things like tweets and downloads, and it's tracking the new ways that we use content. Some of you may know that EBSCO purchased Plum Analytics in January, and we are supporting them in their growth, but we're also in the process of integrating the types of growth provided by this.

We believe that as the usage tools become available, you're going to take advantage of all of the data elements that you can get. Because as you know, for a journal to be cited it can take as short a time as two years. It can take a lot longer. So, in that factor is, as a measure of quality can lag. And there are some disciplines where in that factor is simply not a good one. We believe that the article-level metrics and alternative metrics are one of the tools that you can use in the future.

We hear a lot about patron driven and pay per view. And when we surveyed librarians, and I've had this conversation with a number of you in the room, we ask about the percentage of librarians who agree that PDA and pay per view in combination with journal purchases will replace the big deal packages. Now, I reference you back to slide that talked about big deal package sales going up. But, in the responses, librarians talk about pay per view. In this case 69% said that they

thought, that in combination with individual e-journal purchases, this would replace the big deal. This is up from 56% just two years ago. I think that the type of library will determine, well I know a lot of you are doing this already, but your ability to emphasize those options many times will depend on the type of library and the type of clients that you serve. There are, 50% of people who responded to the survey run also indicated that they worried about pay per view budgets being eaten up too quickly by users. So, it is a double edged sword. Most of the pay per view systems have controls on them that control them. But the service philosophy of any content at any time, what the user wants, is impeded or will have limitations on it.

We asked librarians if they currently have a PDA or pay per view arrangement where the library pays all or a portion of the content on behalf of the users. Slightly more than half did not, 45% did. In terms of the libraries who did not, on the list, 71% do not offer any sort library support pay per view in 2012. So, there has been significant growth and there has been a significant shift in the, in the ranks of the people who do. So, this is clearly a collection trend.

Open access. Open access has certainly been in the news the last few years. It's a major movement in scholarly publishing. And yes, if

you're thinking you've seen this slide before, you have. I want to call your attention to the last column over on the right. The 67% of respondents who said that they had saw open access content in the last year. That number is up 10% since 2012. So, it is certainly a growing trend. I don't know that it is growing as quickly as, as some people thought it would.

We asked publishers, uh, what about open access? Are you planning to add open access titles for this year? 72% said no, 28% said yes. Would anybody like to venture what, what they said in 2012? Actually in 2012, somebody said it's the other way around. In 2012 the results were exactly the same, which we found interesting.

That being said, open access is a growing movement. All of the major publishers have open access initiatives because, as you know, what open access does is it shifts the revenue model from library subscription to other

agencies on the campus. So, open access is going continue to grow.

A place that is also expected to, that is going to continue to grow is, is e-books. E-books have been a revolution in the last five years and as you can see 56% of the people responded indicate that they are going to increase their expenditures on individual e-books. That is about the same as it was two years ago. Interestingly enough the number on e-journal packages decreased slightly. So, packages may have been a way of rapidly front-loading collections. We will see. But remember, what people respond to in these surveys and what people actually do can be two different things.

We asked librarians about which model of e-books they would like to use. As you can see, one book, unlimited users was the most popular. Wow. That is essentially the same as it was two years ago. The number people who would consider one book, three users column did go up from 72%.

Well, the models that publishers would consider. If you will notice, the ownership column and the way this chart works, is unlikely and not sure. The biggest change in this, I think, is the far column to the right, the short term lease. If you will notice, 55% indicated that they are not likely to consider

that. A number of you may have followed the discussions on this. It's been held in a number of forms and it will continue. This is step four of this pricing model. So, that was the survey of the market.

What we are doing at EBSCO is we are focused on the long term. Our financial stability allows us, when we have a publisher, we send payment with order 100% of the time. And particularly with what's happened with the Swets situation, we think that that is important. As mentioned, we focus on the long term. We are privately owned. We don't have to be on the roller coaster of a venture capital firm. We can step back and take a longer view. We are also very highly diversified as you know.

In EBSCO Information Services there is the subscription division and the intermediary services. And there is also the EBSCO publishing platform. With our subscription services we have our established EBSCONET platform that allows you to do everything from order journals to get

consolidated usage statistics and analytics. We will be launching AccessNow, which is an institutional pay per view product, next year.

There are more EDS customers than any other discovery service out there. And we plan on continuing with our current indexing and abstracting services such as CINAHL and supporting our Smartlinks technology that allows you, if you ordered it from us we will automatically link you over, at any point for the database on the EBSCOhost platform. So, instead of going and studying an articles list, our Smartlinks technology takes care of that.

And that is the overview. I tried to allow about 10 minutes for questions. Thanks.