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ATG Interviews: David McCune, SAGE; Jason Hoyt and Peter Binfield, PeerJ

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ATG Interviews David McCune, Jason Hoyt and Peter Binfield

**Director, SAGE Publications and Co-Founders of PeerJ**

by Tom Gilson  (Associate Editor, *Against the Grain*)  <gilsont@cofc.edu>

and Katina Strauch  (Editor, *Against the Grain*)  <kstrauch@comcast.net>

**ATG:** It was recently reported that SAGE and O’Reilly had invested an undisclosed amount in PeerJ. Can you give us a ballpark figure on how much money was involved? How did the deal come about? Who initiated the negotiations?

**JH:** We had already talked previously on a general business-to-business level prior to any investment discussions, in part, because our London offices are near each other and because Pete had previously worked at SAGE. So there was already a relationship there, and the investment opportunity naturally arose out of informal conversations to start.

**DM:** We’ve been intrigued by PeerJ’s mission and business model since its founding and have followed it closely. As Pete and Jason developed their individual and institutional membership models, our interest became enthusiasm. We expressed that enthusiasm to Pete last year and said that if there ever were another round of investments, SAGE would be interested. When the time came, Pete and Jason contacted us.

**ATG:** This is the second round of outside funding that PeerJ has managed to attract. Can you give us some details on the first round of funding? We believe that O’Reilly AlphaTech Ventures and O’Reilly Media were the primary investors, correct? What have they received for their investment?

**JH:** Yes, OATV and O’Reilly Media were the lead investors of the Series Seed round in 2012. They were impressed with how well things have gone over the past two years and decided to re-invest as a consequence. Tim O’Reilly retains his position on PeerJ’s Board of Directors.

**ATG:** Part of the new deal also includes another investment from O’Reilly. How do they fit into the current mix?

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David McCune, Director
SAGE Publications

The fact that O’Reilly AlphaTech Ventures was a seed investor and that Tim O’Reilly was on the PeerJ board was also attractive to us. Tim has been one of the most innovative, challenging voices in publishing, open source, and technology transfer. On a personal level, I was a C coder many years ago, spending my nights wrestling unruly Unix boxes to the mat. Tim O’Reilly’s books saved me from many a sleepless night. He’s been an idol of mine ever since.

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JH: Structurally, nothing changes from the previous round other than David McCune joining the Board. Probably the most exciting change now though is the different dynamic you get with a new Board makeup. David McCune and Tim O’Reilly both come from very successful, yet varied, publishing backgrounds. It’s early days of course, but so far it’s been an excellent combination that is already impacting how we think. One example of that is in how we think about approaching different market segments. Tim and David each have experience with different segments (or entire markets), so it’s very beneficial to draw upon those perspectives as we chart our own course.

It’s difficult to imagine a more suited makeup for a small start-up board aimed at 21st-century academic publishing; we’re really quite lucky in that regard.

ATG: We understand that it was PeerJ’s “innovative model” that caused SAGE to make the investment. That strikes us as a fairly broad explanation. Are there more specific reasons to invest in PeerJ? Were there other “innovative models” besides PeerJ that were considered for possible investment?

DM: SAGE is constantly searching for ways to increase the creation and dissemination of quality, scholarly research. We also look for ways to foster active dialogue and debate among scholars, and seek sustainable models to do this. OA can be an important ingredient in reaching this goal. We work in close concert with our primary constituents: scholars, scholarly societies, libraries, research funders and students, and any model for better dissemination of research needs to be of value to all of these groups. PeerJ’s model of rigorous, low-cost, high-quality OA can be an important ingredient in reaching this goal. We work in close concert with our primary constituents: scholars, scholarly societies, libraries, research funders and students, and any model for better dissemination of research needs to be of value to all of these groups. PeerJ’s model of rigorous, low-cost, high-quality OA can be an important ingredient in reaching this goal.

ATG: Does this mean that we can expect to see a future version of PeerJ for the social sciences and humanities? Has the possibility of such a journal been part of your discussions? That would be an exciting development, and so we wonder, were there other “innovative models” besides PeerJ that were considered for possible investment?

PB: At the moment we have no plans to move into the Humanities and Social Sciences. Our cost-effective pricing structure is very attractive to researchers in those areas, and so we get this question a lot. However, we launched in the Biological/Medical/Health/Life Sciences (already a very large field to cover), and when we start to expand we will most likely do so by expanding out from our current core areas.

DM: We launched a Social Science and Humanities mega-journal, SAGE Open, more than three years ago. It has since published more than 600 papers and established a firm core. We are constantly searching for ways to increase the creation and dissemination of quality, scholarly research. We look for ways to foster active dialogue and debate among scholars, and seek sustainable models to do this. OA can be an important ingredient in reaching this goal. We work in close concert with our primary constituents: scholars, scholarly societies, libraries, research funders and students, and any model for better dissemination of research needs to be of value to all of these groups. PeerJ’s model of rigorous, low-cost, high-quality OA can be an important ingredient in reaching this goal.
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reputation in the community. We envision that in social science disciplines where there are low levels of direct research funding there will be multiple revenue streams that support OA publications, and PeerJ’s model addresses that by developing an entirely new revenue source through its membership model. We have no plans right now to roll out a similar model for SAGE Open, but it is not beyond the realms of possibility that at some point in the future a community membership scheme might form part of the mix.

ATG: Up until now, other than David serving on the PeerJ board, SAGE had no direct involvement in PeerJ. Will that change? What is the nature of your relationship now that SAGE has a vested interest?

DM: SAGE has no operational involvement in PeerJ whatsoever. We are a minority investor. At the board level, and indeed in less formal conversations between Pete, Jason, Tim O’Reilly and myself, we have exciting, wide-ranging conversations about scholarship, academia, research and publishing. To the extent that Jason and Pete find these conversations valuable, perhaps the board will have some strategic influence on the future of PeerJ. But that is entirely up to Jason and Pete.

ATG: When we interviewed Peter at the Charleston Conference in November 2012, continued on page 60

Jason Hoyt

CEO and Co-Founder, PeerJ • P.O. Box 614, Corte Madera, CA 94976
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BORN & LIVED: Born in Santa Clara, California, USA. Live in London, United Kingdom.
EARLY LIFE: Earned a doctorate from Stanford University in Genetics working on adult blood stem cell therapy in the lab of Michele Calos. Prior to this, earned a bachelor’s degree in Microbiology from BYU.
PROFESSIONAL CAREER AND ACTIVITIES: At the end of my doctorate I launched a startup designed to provide academic literature recommendations based on papers academics had bookmarked. Eventually this was scuttled in favor of joining Mendeley in early 2009 as Head of R&D to develop the data mining team and various products. In 2011, I left Mendeley to start PeerJ, where Peter Binfield joined as a co-founder prior to the official launch in May 2012.
FAMILY: I live in London with my partner and three children.
IN MY SPARE TIME I LIKE TO: Run, do indoor climbing, explore the Welsh and English countrysides, and long for California weather!
FAVORITE BOOKS: Gene Dreams — read while an undergraduate and inspired me to pursue an industry career post-graduate school. We — Russian dystopia that inspired 1984.
PET PEEVES: You’re either early or late; there is no on-time.
MOST MEMORABLE CAREER ACHIEVEMENT: Getting our first $100 payment from a PeerJ fan before we officially launched, especially since he never wanted to publish, but stated that he was motivated by the mission of the journal.
GOAL I HOPE TO ACHIEVE FIVE YEARS FROM NOW: Have dramatically lowered the average cost for both APCs and subscription charges across the industry so that it is more affordable to researchers.
he was excited about PeerJ’s innovative membership business model and relatively low membership prices. How successful has your membership model proven to be? Given that you had to seek a second round of outside funding, we wonder, is this model sustainable? Are you committed to maintaining the low pricing?

JH: Becoming a highly respected publisher doesn’t happen overnight — it takes both time and capital. Just look at PLOS, which went through $12M in its first few years, and eLife took on a rumored $40M. PeerJ is a David in a world of Goliaths. We’re doing it with far, far less, but most successful businesses go through multiple financing rounds — via bank debt financing, grants, or venture capital. New capital doesn’t come unless you’ve demonstrated growth in one or more metrics, which we have in both publications and revenue. At the same time, it can take more capital than current cash flow allows to expand and really grow — this is why businesses take on new rounds of financing. A “Seed Round,” which we took on in 2012, is like a starter lab grant and is really there just to prove that academics believe in PeerJ before taking on more capital to grow the concept, which we’re now doing.

As for pricing, we are not changing the $99 per author for life promotion — it’s here to stay; that’s the price point that we base all of our decisions around (hiring, process innovation, technical innovation, etc.). This is the real magic behind PeerJ, or at least the advantage of being a new publisher. Instead of taking all that we do and tallying up how much it costs and therefore how much to charge, we did the opposite. We started with a price point of $99 and asked ourselves, “What must happen in order to afford that?” Well, for starters that’s why we make heavy use of cloud computing, and why we decided to build the submission and reviewing platform ourselves (to rapidly iterate improvements) instead of licensing it.

ATG: Peter was also very high on PeerJ’s preprint service, which was eventually launched as PeerJ Preprints. Are members effectively taking advantage of this service the way you hoped? Are there plans to enhance it as you gain more funding?

PB: People are definitely using preprints in a wide variety of ways, which is exactly what we hoped when we launched it. The functionality is deliberately very accommodating of different submission types — it simply accepts PDFs, and those PDF files can be articles, opinion pieces, posters, PowerPoint presentations, or even simple abstracts. We have preprints from amateur scientists through to people at the top of their field, and we have seen people use PeerJ Preprints to showcase the abstracts of their conference and symposia; to contain contentious “discussion” pieces; to gain feedback continued on page 61
before submitting as a journal article; to get an article out rapidly when there was a chance of being scooped; to republish old pieces which had never seen the light of day and so on. Therefore, I think it is clear that amongst the almost 500 preprints we have published there has been a great deal of experimentation with the format and the community norms — exactly what we wanted to see.

Certainly we plan on enhancing PeerJ PrePrints — but I should say that these enhancements aren’t dependent on funding so much as on the requirements of the community who are adopting it. So expect to see plenty of activity on our preprint site in the future!

ATG: Jason has been quoted as saying that the second round of new capital will enable PeerJ “to further develop our offering, as well as promote ourselves much more broadly.” What will that entail? What new developments should participating members expect? How will your promotional efforts change? Will SAGE have a say in these new initiatives and strategies?

JH: To date, we have done very little in the way of marketing outreach. It’s all been word-of-mouth as we’ve focused resources on building out the publishing platform. When

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PeerJ

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<business@peerj.com> • www.peerj.com

CORE MARKETS/CLIENTELE: Researchers in the fields of biological and medical sciences.
NUMBER OF EMPLOYEES: 10

HISTORY AND BRIEF DESCRIPTION OF YOUR COMPANY/PUBLISHING PROGRAM:
PeerJ was launched in February 2013 to establish a highly credible, scientifically sound, peer-reviewed OA journal for as low a cost as possible. We wanted to show the world that it doesn’t have to cost thousands, either through subscription charges or OA fees, to publish quality science. Our authors truly value the fact that they can publish with us at low cost and high speed, whilst we take pride in the high-quality submission and transparent peer-review process their research undergoes.

PeerJ provides academics with two Open Access publication venues: PeerJ (a peer-reviewed academic journal) and PeerJ PrePrints (a “pre-print server”). Both are focused on the Biological and Medical Sciences. Q&A + annotations provide a second route to gaining credit for knowledge-share.

PeerJ starts at $99 — for lifetime publishing, and public PeerJ PrePrints are free to publish. It is always free to read, download, and reuse PeerJ articles.
we say “promote ourselves more broadly” we know that many academics have not yet published in PeerJ simply because they haven’t heard of us yet, so we’ll be spending more energy on those efforts than in the past where it was all about finishing the product. A key change we’re working on already is in communicating how PeerJ works more easily. This is a bigger challenge than it appears at first glance, since although we do have an APC model, it works slightly differently than authors are used to seeing.

DM: Again, SAGE has no operational involvement in PeerJ, so all decisions regarding execution of PeerJ’s business plan are entirely in the hands of their team. We do expect to share thoughts and information between the two companies, and I look forward to talking and debating ideas, but SAGE in no way controls the way PeerJ operates.

ATG: Obviously, this infusion of money will allow new development and promotional opportunities. Are there any other benefits that PeerJ accrues?

JH: We’re hoping for a lot of sage advice, sorry for the pun. :)

ATG: How will all of this impact SAGE and its publishing program? What financial benefits does SAGE expect to reap from the new PeerJ? How will these benefits affect SAGE’s bottom line?

DM: We hope that PeerJ will be a huge success and that it will help to develop OA as a rigorous, efficient and affordable publishing program. If PeerJ continues to see significant growth and proves that its innovations are sustainable, then it will be an immensely valuable company. SAGE owns a minority share, and I suppose it is possible that that share could become valuable as well.

SAGE is a long-term investor. We never invest in anything — book programs, journals, digital research tools, databases, or whatever — with the intent of selling. We are exclusively an education company, and we will remain an independent, growing academic publisher for the long-term future. We believe that quality research improves the world, and we are dedicated to supporting the creation of scholarship as well as its vast dissemination. PeerJ is an exciting innovation on that front, and we are proud to be associated with the PeerJ team.

ATG: SAGE had an open-access joint-venture with Hindawi from 2007-2011. Are there any similarities between that arrangement and the current SAGE-PeerJ relationship? Will there be a joint OA publishing venture between SAGE and PeerJ?

DM: There are no real similarities between the Hindawi joint venture and our investment in PeerJ. With Hindawi we entered into a formal partnership where we benefitted from access to their custom-built OA Publishing workflow and low-cost base, while they benefitted from access to our extensive international editorial networks and global marketing abilities. Consequently, we shared ownership of the journals we developed together.

The nature of our minority investment in PeerJ is very different; we have no plans for a joint OA publishing venture between SAGE and PeerJ. Both companies are involved in OA, and while I would like to encourage debate and cross-pollination, I like the idea of the teams working independently, each toward its own business model. Sometimes the teams will cooperate while at other times they will compete. That seems healthy to me.

ATG: As the open access space expands and matures do you see similar partnerships emerging? Who do you see as your biggest competitors?

DM: OA is just one part of the scholarly enterprise. Very broadly, we would like to support more innovation in the ways scholarship is funded, evaluated, and disseminated. There is a lot of innovation going on within the scholarly, pedagogical and research ecosystems now, and we hope to be a leader in many of those innovations. To that end,
SAGE will be an active participant, whether via our own internal innovation, start-up launches, or investments in other companies. We would welcome a potential collaboration with any entrepreneurs that have ideas for increasing the amount of quality scholarship and research and for improving teaching in the world. This is an exciting, optimistic time in the education field, and we are proud to be part of it.

ATG: Business relationships are also learning experiences. So far, what is the key thing that SAGE has learned from PeerJ? What has PeerJ learned from SAGE?

DM: In addition to learning about their membership models and their innovative publishing system based on open-source software, it is a lot of fun to watch a couple of creative, passionate entrepreneurs innovate. The feedback loop between trial, evidence, reevaluation, and retrial is currently very short for PeerJ. SAGE is a fairly large organization that is operationally very efficient, but our trial-error-retrial loop is longer; while we are constantly innovating, our innovation cycle takes longer. Perhaps we can learn from watching PeerJ. By the same token, PeerJ will likely have to scale up to many, many times its current size, and being efficient often becomes a challenge as organizations grow. PeerJ may learn from SAGE, which is proud to employ one of the best management teams on the planet.

SAGE has decades of experience talking to all of the various stakeholders in higher education, whether they be senior scholars, newly-minted Ph.D.s, librarians, students, scholarly societies, university administrators, or research funders. These stakeholders share the broad goal of education, but they also have somewhat divergent agendas, experiences and incentives. SAGE’s experience building coalitions among these educational groups may prove valuable to PeerJ.

JH: Despite its size, SAGE is still a family-owned publisher, and that means they can still behave in many ways that are similar to a start-up or small publisher (as opposed to a publicly owned company). That’s a tremendous advantage that was a delight to learn about as we got to know them better.

ATG: It were gazing into a crystal ball, what would the SAGE-PeerJ relationship look like in two to three years?

JH: The normal course with investments like this is that over the course of time the investor and investee develop more trust and third-party connections. It would also be great if some of our streamlined business processes could find their way into SAGE eventually — in areas that make sense for them. And likewise, there’s such a wealth of knowledge that David McCune brings that we can hardly anticipate where exactly we’ll draw from, but we know that we will undoubtedly do so.

DM: PeerJ will be a huge success, having proved that the individual and institutional membership model of paying for OA works and meets the needs of various stakeholders in the educational process. SAGE will still be a minority shareholder, and a very happy one at that!

Rumors

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which we all deal with on a regular basis. In fact I just saw that one of the exhibitors, SPIE is making research papers (100 in all) published by six 2014 Nobel Prize recipients freely available in the SPIE Digital Library. The new Nobel Laureates are Isamu Akasaki, Hiroshi Amano, and Shuji Nakamura, who were awarded the Physics prize for their invention of blue light-emitting diodes (LEDs), and Eric Betzig, Stefan Hell, and William Moerner, recipients of the Chemistry prize for the development of super-resolved fluorescence microscopy.

www.spie.org/nobelpapers

Speaking of which, I am very excited that the awesome Regina Reynolds is coming to