

Unlatching a Digital Model to Drive Ecosystem Change in Academic Book Publishing



**BIG
INNOVATION
CENTRE**

David Wong and Benjamin Reid

**For the EPSRC New Economic Models in
the Digital Economy Network+**





Disruption of the Academic Publishing Market

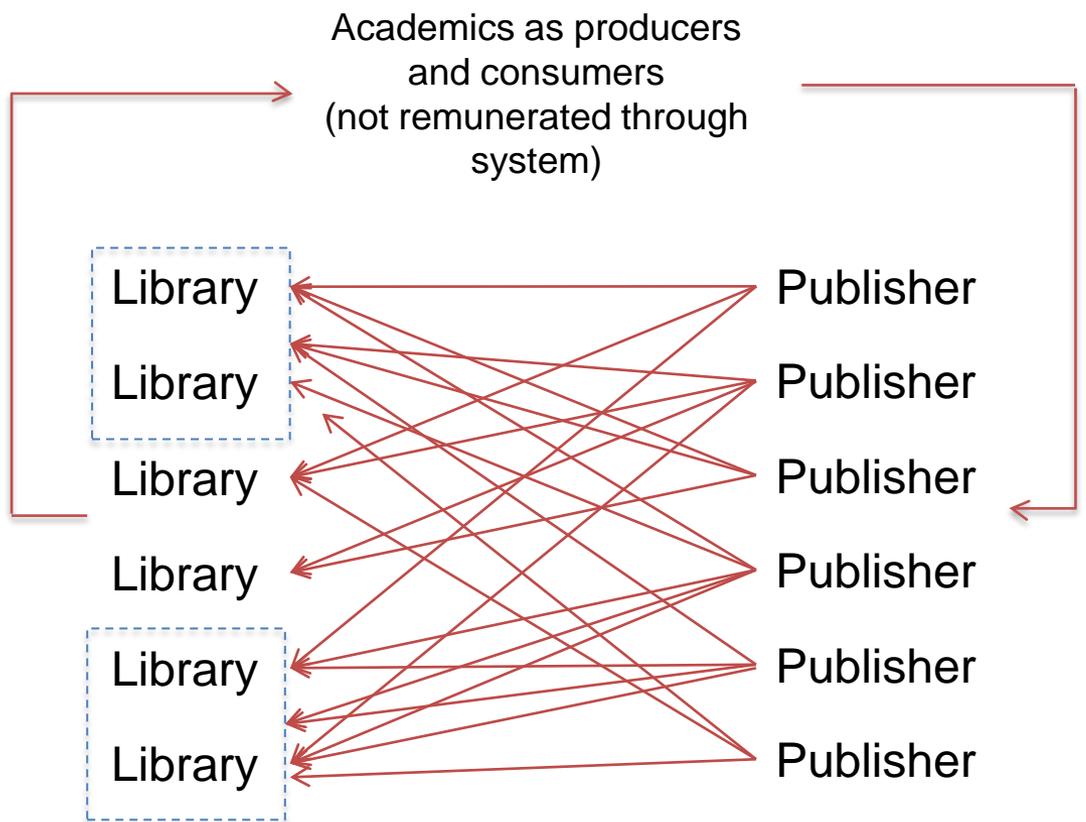
- **UK Publishing**
 - Has experienced a steady decline in recent years, from £3.52 billion in 2007 to £3.12 billion in 2011, and is expected to be worth only £2.96 billion by 2016.
- **UK Academic publishing**
 - The academic and professional subsector in the UK was valued at £684 million in 2011, or 21.9% of the entire book publishing sector, which was a decline of nearly 3% from the previous year
- **UK Academic *monograph* publishing**
 - Over the past two decades, sales of academic monographs have shrunk by 90%, causing prices to rise dramatically as fewer copies are sold. (Willinsky, 2009)

Academic Monographs (in the Arts and Humanities): Squeezed on all sides?

- Shrinking library budgets
- High origination costs
- ... and rising costs per unit
- Digitalisation
- But... under-served markets
 - Unit purchasing cost rises have priced out many libraries, particularly in emerging economies, just as digitalisation made them potentially much more accessible.



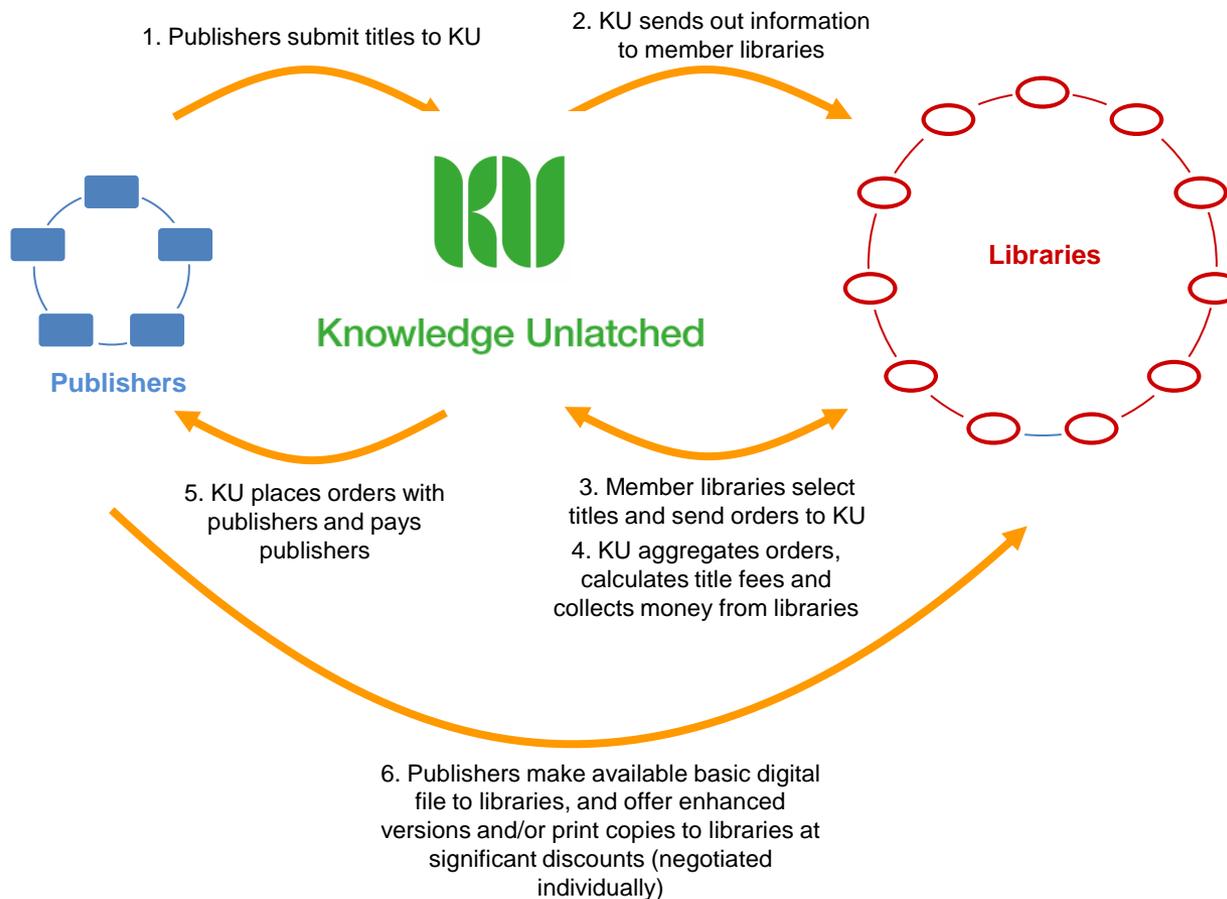
The pre-Knowledge Unlatched model



...



The Knowledge Unlatched model





Single unit example

Old print model for a typical monograph

Outcome: no-win situation where although libraries obtain print copies, each has to pay £50 per copy, while the publisher incurs a £6,000 loss.

	£	£
400 copies sold to libraries @ average £50 per unit		20,000
Fixed origination costs	8,000	
Variable printing & production, marketing, distribution, royalties, suppliers	18,000	26,000
Profit/loss on the monograph		(6,000)

The KU model for a typical monograph

Outcome: win-win situation where libraries obtain basic digital file of the monograph at 60% (assuming 400 libraries) or 73% (assuming 600 libraries) reduction, while the publisher covers fixed costs. Libraries can variably opt for value-added digital versions and/or print copies at significant discounts.

	£
Fixed origination costs*	8,000
400 member libraries pooling to meet origination costs @ £20 each	8,000
600 member libraries pooling to meet origination costs @ £13.33 each	8,000
Profit/loss on fixed costs	0

* Publishers may also build in a modest margin on origination costs so as to incentivise publication.



KU as a hybrid 'market making' model

KU is notable as the integration of multiple models into the overall, which we call a **market-coordinating model**

- Elements of **crowdfunding**
- **Cooperative model** of pooling and scale
- A **Community Interest Company** seemingly balancing commercial interests of different groups
 - (The role of the key individual?)
- Elements of a **freemium** model.
- Aspects of a **licence fee** model



Where do we go with this?

- **KU is being incubated by the Big Innovation Centre**
 - A research programme on the model alongside the experiment co-ordinated by Dr Lucy Montgomery
- **Market Making**, Andrew Sissons and Spencer Thompson (2012)
 - <http://www.biginnovationcentre.com/Publications/26/Market-Making>
- **Data is the next frontier, Analytics the new tool**, David Wong (2012)
 - <http://www.biginnovationcentre.com/Publications/21/Data-is-the-next-frontier-Analytics-the-new-tool>
- **New Economic Models in the Digital Economy bid**
 - New models for optimisation technologies using crowd-sourced academic research communities (with UCL)