

2021 UPDATE

SPARC Landscape Analysis
and Roadmap for Action

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One key takeaway from the past 18 months – the scholarly publishing industry is broken...

- Despite budget cuts and uncertainty faced by libraries over the past 18 months, most of the leading academic publishers largely avoided shouldering significant consequences, spotlighting the unequal relationship between publishers and their customers.
- The past 18 months have also laid bare the dysfunctionality of an industry that has to be upended altogether whenever it is necessary to combat an emergency.
- Industries can be unequal (i.e., benefits can accrue asymmetrically) and still be functional. Scholarly publishing, however, is neither equal nor does it deliver what the research community (and society at large) needs.

...and the courseware industry is embracing inequitable solutions to save itself

- Faced with a decade of revenue decline, the courseware industry struggled to find stability
 - The share price of Pearson declined by almost two thirds between 2015 and 2019, also preventing MGH and Cengage from attempting an IPO
 - The failure of the MGH-Cengage merger impeded consolidation as a strategy to improve profitability and escape the constraints posed by the decline of Pearson
- In order to lift revenues, courseware publishers have decided to lift student spending through inclusive access (an approach that "taxes" poor and middle-class students and cuts spending for the most affluent ones).
- The transition to digital materials also poses a significant number of ethical and privacy issues, but the publishers have rushed this transition with no effort to explore and negotiate solutions that are equitable and protect students' privacy

Background

- One year ago, we highlighted the many uncertainties (scientific, economic, societal and political) that society at large and the research community were facing.
- On some dimensions, the pandemic played out as it could be expected:
 - The financial markets responded well to fiscal and monetary actions, and the economy recovered quickly, albeit with asymmetrical effects on different countries and socio-economic groups.
 - Better understanding of the virus and the approval and administration of vaccines lead to reducing the risks posed by the pandemic for some, but further polarized outcomes for different countries and different population segments.
 - Academic and research budgets were affected, but the quick rebound of the economy reduced the impact compared to some of the most pessimistic scenarios.

Background - continued

- The pandemic, however, highlighted a set of issues that had been simmering for a long time.
- The urgency of achieving tangible progress towards social justice became a much higher priority across many countries.
- The pandemic further exposed the unequal outcomes created by structural inequities.
- At the same time, the discontent of large strata of the population and the aggressive opportunism of some governments has led to rising attacks on democracy both in the US and in several countries around the world.

Continuing Challenges

One year ago, we highlighted four insidious trends:

- Continued mergers/consolidation
- A shift away from research publishing to research assessment
- A shift away from individual to communal research distribution
- The emergence of even “Bigger Deals”

Most of these trends have continued in the past 12 months

- More mergers (Wiley/Hindawi; Clarivate/ProQuest)
- More evidence of conflict of interest
- Launch of GetFTR

New or Emerging Challenges

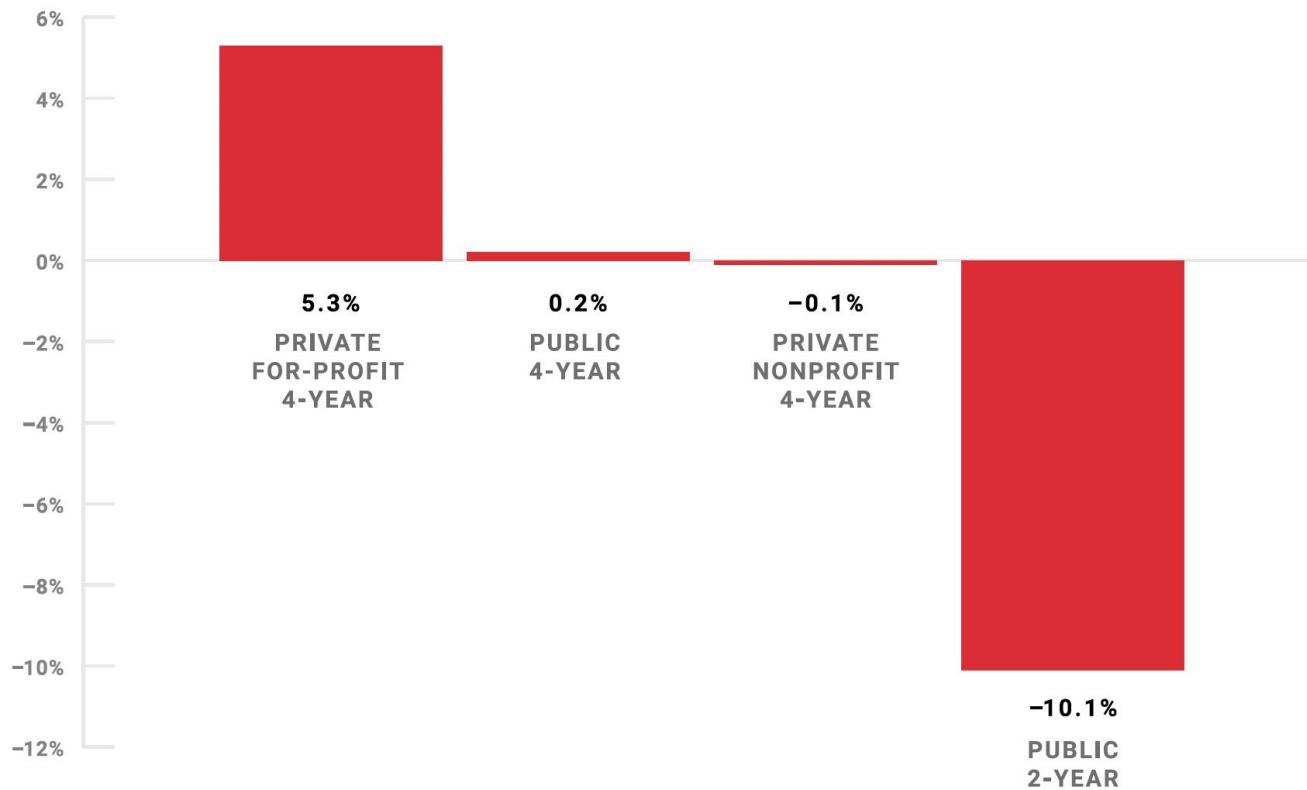
- The pandemic has further highlighted the many inequities within the academic community.
- The pandemic has highlighted the need for faster (and unrestricted) access to research.
- The deployment of tracking and monitoring software in research dissemination platforms contradicts academic freedom and raises safety concerns for researchers and patrons of academic libraries.

New or Emerging Challenges (cont.)

- No effort has been made to explain how student data is collected and used by courseware companies, how it is preserved and disseminated; no protocols have been publicized to ensure visibility on algorithms, correct errors and address inequities
- The delegation of inclusive access negotiations to bookstores poses an unacceptable conflict of interest
- The use of proctoring software raises significant ethical issues because it can disproportionately penalize students from disadvantaged communities and/or with serious medical conditions

Enrollment Declined Inequitably

Changes in enrollment – Fall 2020 vs. Fall 2019



Source: National Student Clearinghouse Enrollment Center

The impact of the past 12 months on the scholarly journal publishers – publishers grew their profits

- Publishers continued to grow revenues and profits during the pandemic.
- They have continued to approach academic libraries with little regard for their concerns:
 - Limited willingness to reduce revenues per customer, and usually linked spending cuts to reducing titles/renouncing perpetual rights.
 - Continued use of negotiating tactics that have no apparent justification (other than pursuing the maximum advantage in negotiations).
- The relaxation of access to COVID-related new research and backfiles has been slow, reluctant and the publishers have made clear they intend to return to the status quo ante as soon as possible.
- All major publishers have embraced the Open Access rhetoric (after arguing for years that it would be toxic) because they were forced to do so, and have switched their focus on promoting their role as “keepers of the version of record” to disqualify the value of other OA approaches that are economically threatening.

Scholarly Publishing Revenues and Profits Grew in 2020

Company	2020 Revenue Growth	2020 Profit Growth	2020 Profit Margin
STM Business – Elsevier	1% (organic)	1% (organic)	37%
Research – Wiley	3% (organic)	6% (Constant Currency)	29%

The impact of the past 12 months on courseware publishers – improved balance sheets

- At the beginning of the pandemic, courseware publishers planned for a significant revenue decline and a possible liquidity crisis (particularly in the case of MGH and Cengage, since they had high levels of debt and in May 2020 their merger was called off)
- The actual decline was much less significant and – coupled with aggressive cost cutting – every publisher emerged from 2020/early 2021 with less debt and a stronger balance sheet
- In 2020/21, Pearson continued to lose Higher Ed courseware revenues, while MGH and Cengage grew theirs.
- Pearson is responding by “copying” Cengage’s Unlimited offering – a sign of weakness in a market leader

The impact of the past 12 months on courseware publishers – improved balance sheets

Company	US Higher Ed Revenue +growth/-decline	Net Debt/EBITDA at end of Fiscal Year*	
		2019	2020
Pearson	-12%	1.3x	0.8x
MGH	+5%	5.4x	4.0x
Cengage	+4	6.5x	5.6x

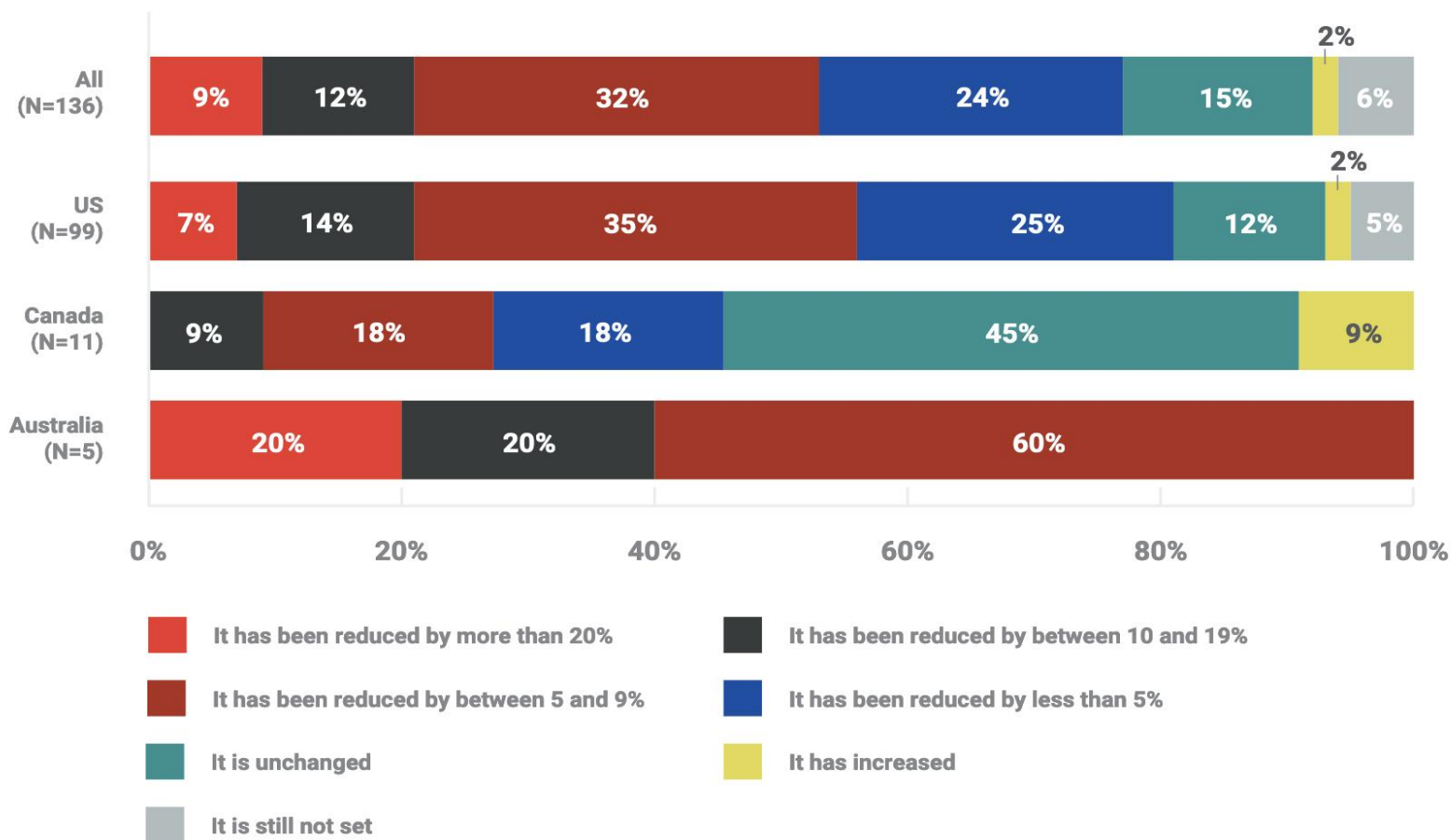
* 12/31/2020 for Pearson, 3/31/2021 for MGH and Cengage

The response of academic libraries and institutions

- Budgets were hit harder than enrollment numbers may suggest
- Library budgets were significantly affected
- Libraries responded with a broad set of actions
- Commitment to support OA remains strong

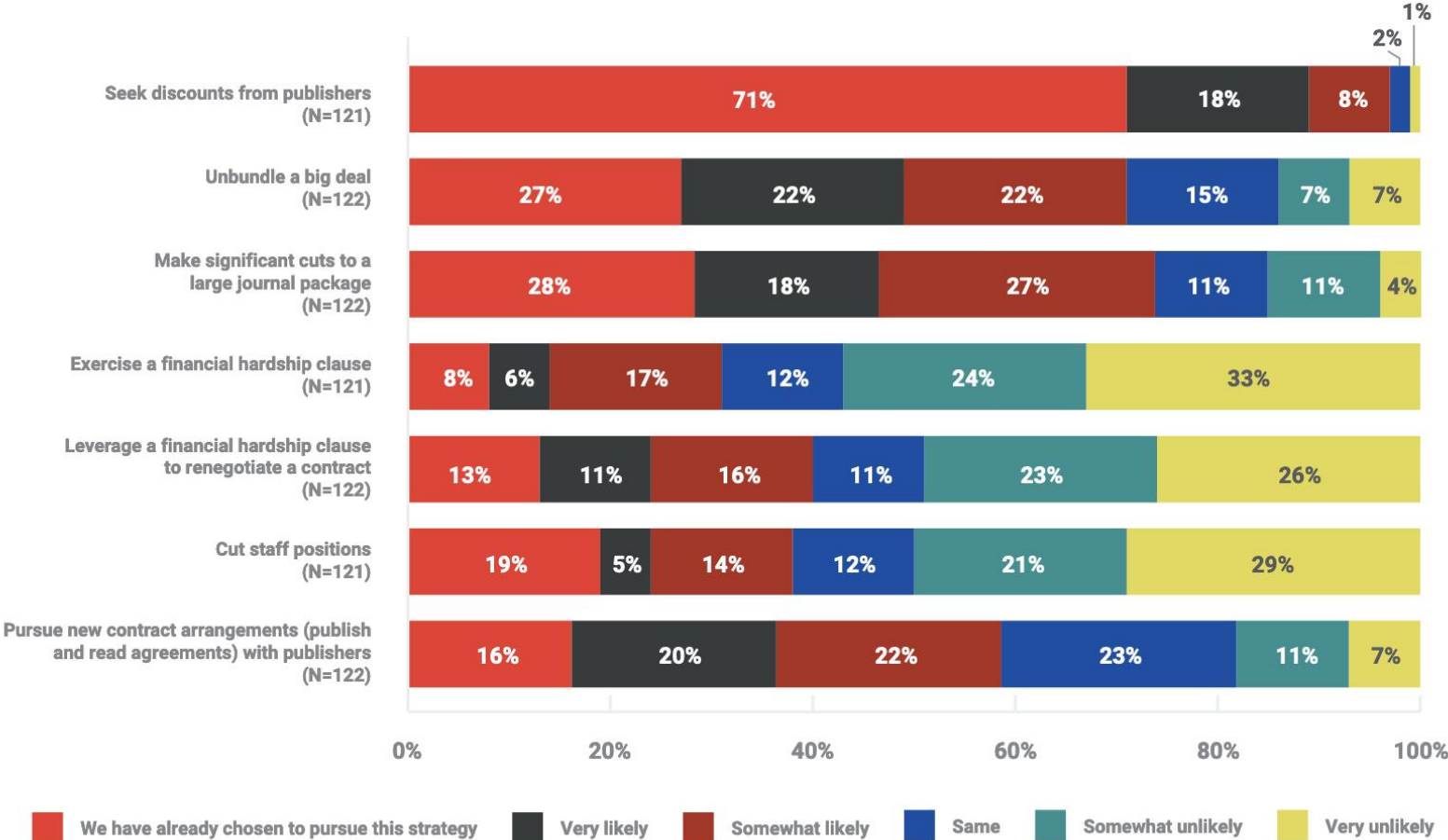
The response of academic libraries and institutions - continued

[Q1] Since the outbreak of COVID in March 2020, what percentage change have you seen in your overall library budget?



The response of academic libraries and institutions - continued

[Q14] As a result of COVID-related budget pressure, how likely are you to...?



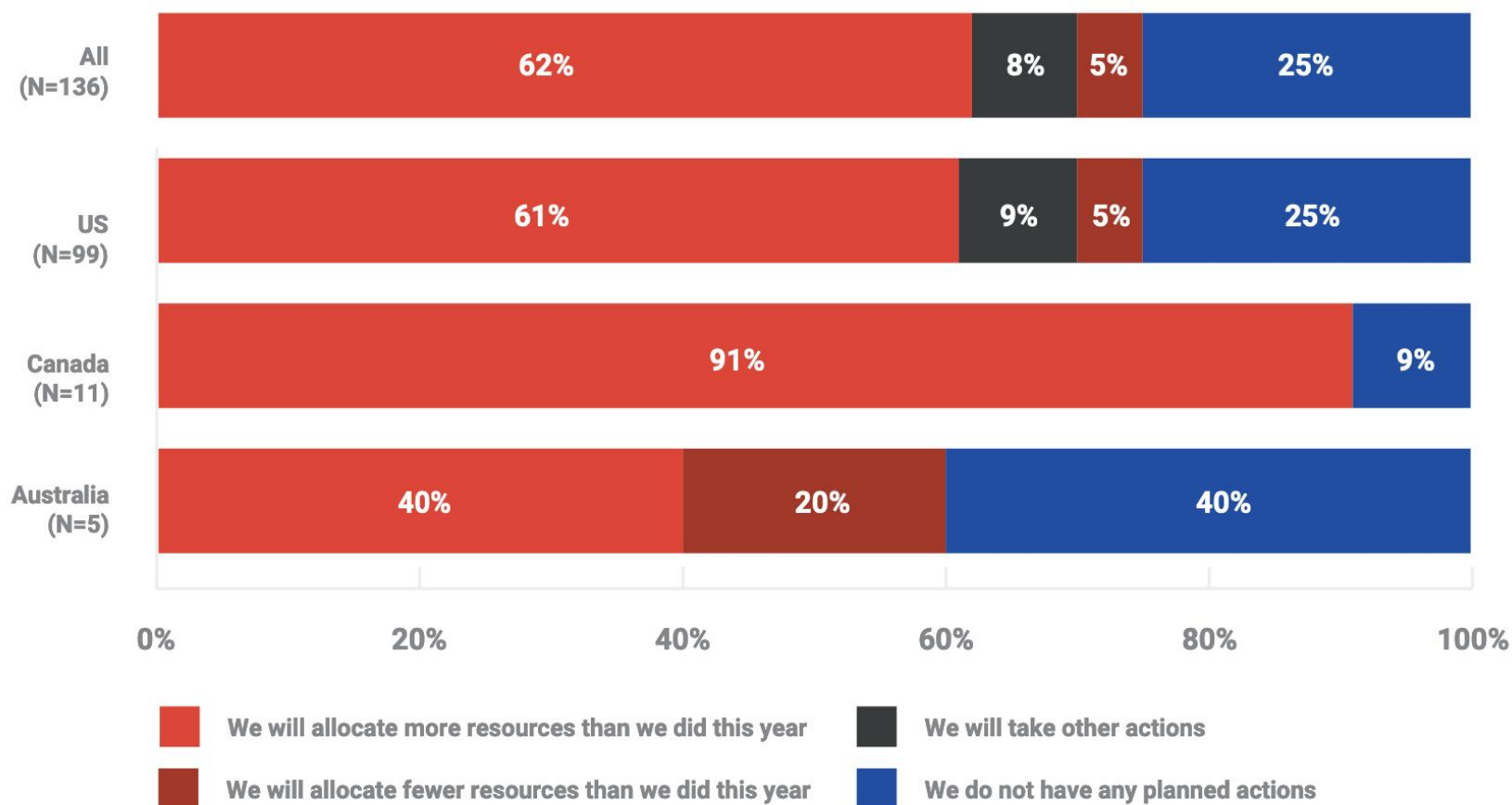
The response of academic libraries and institutions - continued

[Q18] In the next year, how do you anticipate your investments in open access-related initiatives will change? Please check all that apply.

	LIKELY WILL NOT CONTRIBUTE	DECREASE SIGNIFICANTLY	DECREASE SOMEWHAT	STAY THE SAME	INCREASE SOMEWHAT	INCREASE SIGNIFICANTLY	N
<i>Open Infrastructure</i>	10%	0%	2%	53%	31%	4%	116
<i>Open Content Initiatives</i>	4%	2%	4%	47%	35%	8%	115
<i>Open Access Agreements</i>	8%	0%	2%	27%	54%	9%	114
<i>Supporting Organization</i>	3%	0%	5%	62%	26%	4%	116

The response of academic libraries and institutions - continued

[Q18] Beyond next year, how do you anticipate your support for open infrastructure, open content initiatives, supporting organizations, and OA agreements will change?



Responding to the challenges – Our original recommendations

Open Data Infrastructure: A Roadmap

		RISK MITIGATION	STRATEGIC CHOICES	COMMUNITY ACTIONS		
ALGORITHMS		<ul style="list-style-type: none">• Campus coordination• Data policies• Privacy policies• Open procurement	<ul style="list-style-type: none">• Algorithms vs. humans debate	<ul style="list-style-type: none">• Strategic practices• Build or acquire academic community owned infrastructure• Inclusive governance structures• Change policies to tip the scales• Realign stakeholder relationships	ALGORITHMS	
	METRICS	<ul style="list-style-type: none">• Data inventory• Campus coordination	<ul style="list-style-type: none">• Quantitative vs. qualitative metrics debate• IP exploitation vs. knowledge sharing debate			METRICS
		IMMEDIATELY	3-12 MONTHS	LONGER TERM		

Responding to the challenges – additional actions

- Introduce necessary organizational change (and explore how to do it in times of budget cuts)
 - Chief Data Officer
 - Chief Ethical Officer
- Pursue cooperation in new areas
 - Alternative dissemination models (Diamond OA, Subscribe to Open)
 - ESG
- Invest in community-owned infrastructure

It is vital to look at (and actively promote) a more comprehensive agenda

- It is necessary and urgent to foster equitable Open Science practices
 - The current dissemination model supports a “covert” research agenda that disadvantages many communities
 - Societal mistrust of expertise has become pervasive
- Raising societal investment in knowledge is a priority

IN SUMMARY

- Much has happened in 2020 and 2021, and the impact has been inequitable and lopsided.
- The COVID crisis has raised important questions about the compatibility of commercially-minded publishers and academic data vendors with the long-term interests and values of the academic community.
- Despite budget cuts and uncertainty faced by libraries over the past 18 months, most of the leading academic publishers largely avoided shouldering significant consequences, underlining the unequal relationship between publishers and their customers.
- The past 18 months have also laid bare the dysfunction of an industry that has to be upended altogether whenever it is necessary to combat an emergency.
- It is time to take concrete steps towards changing a system that supports neither the values nor the long term interests of the academic community (including funding bodies and learned societies).