# Achieving Financial Sustainability

## Are We Asking the Wrong Questions?

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I’m going to speak about the financial sustainability of scholarly publishing in libraries, but it actually doesn’t make sense to talk about libraries in isolation. The way to think about this is similar for traditional publishers, and there has actually been quite a bit of discussion in the past year or two about measuring and relating costs in university-press publishing, which I will refer to when applicable.

# Assumptions

- *Publishing* means more than making creative works public: the publisher performs some combination of selection, editing, design, marketing, and managing distribution.
- These stages of publishing require a combination of time and money to carry out.

(read slide)

# The conundrum

If a library creates a publishing service, it might decide that the service should be self-sustaining (not require any subsidy). Some possible reasons:

- Publishing might be seen as non-essential to the mission of the library, whereas the library's limited resources should only fund core services.
- Since most publishers are run as businesses, a library publishing service should be treated as one.

Re: first bullet, examples of non-essential services:

- if it only provides hosting services
- if it only provides convenience services to its users (serving as an intermediary to editors and designers)

Re: second bullet, if you're selling to customers directly (rather than simply providing some sort of service to researchers), you'll likely encounter such pressure.

So, let's assume for now that a library publishing service is expected to cover at least some of its costs.  What sorts of things do we count as contributing towards the cost of publishing?

# Total cost includes …

**Fixed costs**

The costs you incur even before you produce the first copy.

Examples:

- staff salaries and benefits
- equipment (computers, software, phones)
- work space (rent, electricity, phone and Internet service)

**Variable costs (unit-level costs)**

What it costs to produce copies.

The *marginal cost* is the expense of creating one more copy.

(In many situations, the cost goes down as the scale increases. For example, the per-copy cost is cheaper in a larger print run.)

Here you see some examples of two types of costs in economics and budgeting. Variable costs (on the right) are pretty easy to measure, so I want to focus on fixed costs. Not only do these form a greater portion of the costs for most library publishers, but they are also the hardest to fully represent. Fixed costs are sometimes called first-copy costs (or, if you like “zeroeth copy” costs.)

## Another way of dividing total cost

**Indirect costs**

Examples:

- Staff time spent on administration
- equipment (computers, software, phones)
- work space (rent, electricity, phone and Internet service)

**Direct costs**

Examples:

- Staff time spent on particular projects
- fees paid to editors and designers for particular projects
- printing costs

Indirect costs are shared across all publishing projects, whereas direct costs can be directly attributed to specific projects. You see here that staff time appears in both columns. Some staff time can be measured as relating to a particular project (a direct cost), whereas other staff time is just dedicated to the organization as a whole.

You can get into debates about how to divide staff time between indirect and direct costs, but if you want to know the total cost of a publishing operation, you just need to add up all indirect and direct costs. If you're interested in how your costs compare to those of other publishers, you can divide each publisher's total cost for a fixed period of time by the number of books (or journal articles, or pages, or words) published during that period.

Ithaka S+R, with support from the Mellon Foundation, published a study earlier this year based on data about publishing scholarly monographs from 20 university presses, harmonizing their accounting of direct and indirect costs (for example, how staff time is divided between them) to calculate the average total cost of publishing across these publishers. Figures varied quite a bit, in large part because of "in-kind contributions" from the host institution.

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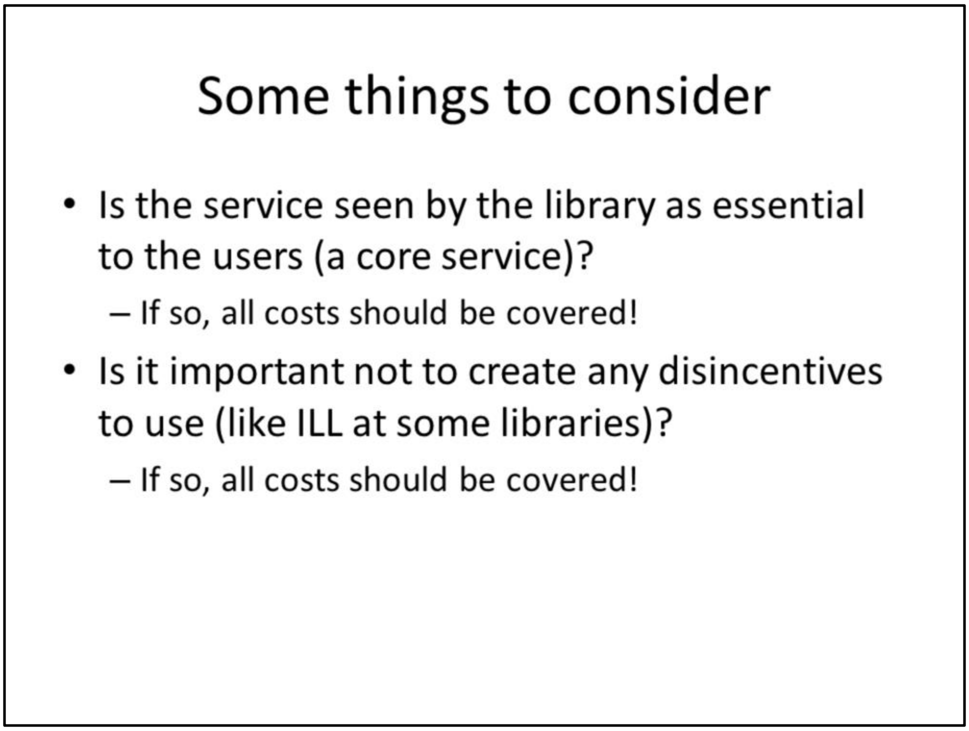
*In-kind contributions*

What are in-kind contributions?  These are expenses provided for by the host institution, without any expectation of accounting for them.  For example, the university press might not be charged for office space or telephone lines.  Or maybe business services are handled by a central office at the university. Or maybe the press has to pay staff salaries but not benefits like health insurance (because those be covered by the state government).

So, you see, it's not really fair to compare costs at two university presses if one is charged rent but another is not, or if one has to cover staff benefits but another does not.  The Ithaka S+R report couldn't even fairly account for these costs because you can't always calculate some sort of hypothetical value for them. (And it's certainly not fair to talk about profitability of one university press or another if one receives an annual subsidy from its host institution of 5% of its costs and another receives 30%.)

So, again, I've gone down this road of talking about university presses because the same considerations apply to library publishers, especially in any discussion of which expenses a library publishing service is expected to recover by its host library or host institution.




If you’re struggling to develop or justify a cost model, here are some things you might consider.

# Otherwise …

- Are other parts of the library (perhaps ILL or other document-delivery services) expected to recover costs, in part or whole?
  - If so, propose operating under the same cost model.
- Do you have time for detailed cost accounting?
  - If so, consider charging for all direct costs (including staff time).
  - If not, consider charging only for the obvious direct costs.

## Some further reading


- Kevin Hawkins (2016). "Some Ways of Thinking About Costs and Subsidies." *The Lib Pub.*
- Nancy L. Maron, Christine Mulhern, Daniel Rossman, and Kimberly Schmelzinger (2016). *The Costs of Publishing Monographs: Toward a Transparent Methodology.* Ithaka S+R.
- Journal of Electronic Publishing, vol. 19, no. 1 (2016).