How OA2020 changes the publishing industry’s balance of power

Strengthening the market’s competitive forces
The Five Forces framework

In his seminal article of 1979, Harvard economist Michael E. Porter describes how the collective strength of five competitive forces determines the ultimate profit potential of an industry.

The Five Forces framework reveals how underlying sources of competitive pressure provide the groundwork for a strategic agenda, highlighting the places where industry trends promise to hold the greatest significance as either opportunities or threats.

Porter’s Five Forces

At the center Porter places the first force, **industry rivalry**, and coming from four different sides the **bargaining power of suppliers**, the **bargaining power of buyers**, the **threat of new entrants** and the **threat of substitutes**.

- If there is a fierce competition in the center, suppliers and buyers have strong bargaining power.
- When the 5 competitive forces are weak, the industry becomes very lucrative.
By analyzing the scholarly publishing industry through the Five Forces lens, Bo-Christer Björk explains why open access publishing has not yet succeeded in reaching a substantial market share.

According to Björk’s analysis, traditional publishers firmly hold the industry in a deadlock as none of the five forces currently endangers their profit margins.

The Five Forces and the Publishing Industry

Industry rivalry

In the current oligopolistic market, a handful of large commercial publishers control highly diversified portfolios of respected journals and do not compete on price.

Industry rivalry, as a competitive force, is weak, as customers cannot choose one over another but must purchase from all of them.
Bargaining power of suppliers

Suppliers (authors, editors, reviewers), rather than exert price pressure, willingly give their articles and services for free, receiving social capital in return.

The total lack of monetary transaction obliterates their bargaining power.
Bargaining power of buyers

With their budgets locked into publisher “big deal” subscriptions and prices hidden by non-disclosure agreements the bargaining power of Buyers (libraries) is weak.

The large publishers succeed in increasing prices year after year, not according to actual cost of publishing but rather the customer’s “willingness to pay”.

The actual users, who might exert some pressure, are shielded from any cost considerations.
Given the market dominance of “big deal” journal packages which drain library budgets, the threat of new entrants (pure OA publishers) is weak. The competitive pressure from new entrants is weak, due to the time required to build journal reputations.
The Five Forces and the Publishing Industry

**Threat of substitutes**

The threat of **substitutes**, such as pre-print archives, IRs and sharing sites is hampered by embargo periods, low deposit rates and the threat of legal action against piracy.

Customers (libraries) cannot fully rely on freely available copies as an alternative to subscriptions.
The positive impact of OA2020 on the Five Forces

- In the following adaptation of Porter’s Five Forces, we clearly see how the **OA2020 strategy** has the potential to **alter the current market deadlock** and finally achieve open access on a large scale by **strengthening the competitive forces**.

- To begin: by shifting their current budgets away from subscriptions to open access publishing models, the **bargaining power of customers (Libraries) intensifies**.
The transformational power of the OA2020 strategy

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University libraries and library consortia

**Bargaining power of customers**

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**Industry rivalry**
- American Chemical Society
- Taylor & Francis
- Wiley
- Elsevier
- Oxford University Press
- Springer

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**Threat of new entrants**

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**Threat of substitutes**

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**Bargaining power of suppliers**

(Authors, Reviewers, Editors, Learned Societies)
The transformational power of the OA2020 strategy

- Threat of substitutes
- Bargaining power of customers
- Threat of new entrants

- University libraries and library consortia

- Bargaining power of suppliers
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OA2020 strategy

**OA2020 gives customers leverage.** Institutions adopting the OA2020 strategy commit to an action plan for reinvesting their current subscription expenditures in open access business models. This commitment gives them a clear position for negotiating with publishers and therefore strengthens their bargaining power.
The transformational power of the OA2020 strategy

- Threat of substitutes
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The transformational power of the OA2020 strategy

Open access agreements

*Agreements with traditional publishers will only be renewed if they include open access publishing rights.* Publishers will be incentivized to change their business models, as offering open access publishing becomes a competitive advantage.
The transformational power of the OA2020 strategy

- Threat of new entrants
  - University libraries and library consortia
  - Bargaining power of customers
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  - Industry rivalry
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Open publishing platforms (e.g. Wellcome Open Research)
- BioMed Central
- eLife
- Hindawi
- Plos
- SciPost
- Ubiquity Press
The transformational power of the OA2020 strategy

Divest from subscriptions – reinvest in open access

7.6 bn € ($10B) can be reinvested in open access. The MPDL whitepaper has shown that there is already enough money in the system to finance open access publishing, beyond the transformation of today’s scholarly (subscription) journals. OA2020 affirms not only establishing OA agreements with traditional publishers, but also shifting current subscription expenditures to new OA market players, business models and initiatives such as setting up institutional OA publishing funds and supporting cooperative OA business models.
The transformational power of the OA2020 strategy

Threat of substitutes

University libraries and library consortia
Bargaining power of customers

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The transformational power of the OA2020 strategy

OA2020 changes the market situation

More competition, more open access. OA2020 fosters competition by shifting budgets to open access business models.
The transformational power of the OA2020 strategy

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- BioRxiv
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- oaAFIndr
- OpenDOI
- PMC
- Research Gate
- Unpaywall

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The transformational power of the OA2020 strategy

The green route benefits from OA2020. Many institutions lack the significant financial resources necessary to set up, populate and maintain local repositories and even have difficulty in finding funds to support community-driven platforms such as ArXive. The OA2020 strategy works to support the green open access route, as liberated subscription funds can be used to develop and sustain local self-publishing and repository infrastructure as well as new services, such as OpenDOI, that are built on content already freely available. These “market substitutes” provide alternative access points which can be taken into account when cancelling subscriptions.

Divest of subscriptions to support infrastructure and be aware of alternative sources
The transformational power of the OA2020 strategy

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Bargaining power of suppliers
(Authors, Reviewers, Editors, Learned Societies)

Bargaining power of customers
University libraries and library consortia

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The transformational power of the OA2020 strategy

It's time to face the facts: Sci-hub is a severe threat to scholarly publishing

Sci-Hub is a clear demonstration that the subscription system is obsolete. While we are discussing how best to reach a legitimate and sustainable open information environment, researchers have already made a decision on what access to scientific literature should look like in the digital age. The OA2020 Initiative represents a final offer to the publishing industry to upend the subscription system or risk total disruption of their scholarly journals.
The transformational power of the OA2020 strategy

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The transformational power of the OA2020 strategy

OA2020 - an effective strategy to transform scholarly communications and finally achieve open access

OA2020 strengthens competitive forces to irreversibly alter the current market deadlock. By channeling current subscription expenditures to open access business models, infrastructure and initiatives, the OA2020 strategy generates the leverage necessary to finally make Open Access the default in scholarly publishing.
The transformational power of OA2020

- Bargaining power of customers
- Threat of new entrants
- Threat of substitutes
- Bargaining power of suppliers

(Authors, Reviewers, Editors, Learned Societies)
Make open access the default in scholarly communications.

Endorse OA2020 to drive the transformation.

https://oa2020.org/

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