



BUSINESS PLAN TOOLKIT

Publishing an Open Access Journal

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Launching an Open Access Journal

Business Plan Toolkit

The Toolkit provides an introduction and guide to developing the Business Plan for setting up your own Open Access journal. A standard Business Plan consists of a number of component sections and the Toolkit takes you through those, providing advice and guidance on how to create your own versions. These component sections of the Toolkit listed below.

We hope you find this useful as you think about launching your own Open Access journal. Good luck with your venture!

Components of the Business Plan Toolkit

- The Fundamentals of a Business Plan
- Describing the Business Venture
- The Market Context
- Governance and Ownership
- The Operational Plan
- The Marketing Plan
- The Financial Plan
- The Risk Assessment

The fundamentals of a Business Plan

Starting a new Open Access journal can be an exciting prospect and, as with all new ventures, the temptation to get going straight away is strong. It would be prudent, however, to invest some time developing a business plan. Business planning is a process that yields a useful framework to help you think about the range of issues that underpin the success of any new venture. The journey from the spark of an idea to the successful, sustainable operation of a publishing enterprise can be challenging but a business plan provides the means to navigate, avoiding potential pitfalls along the way.

Normally, business plans are created as documents to be presented to potential funders and other stakeholders: externally these stakeholders may be banks or venture capital companies; within your institution, the plan may be useful for things like winning approval to proceed if required or gaining access to financial and other resources. Even if you consider that you possess the necessary resources already, the planning process provides a structured means for addressing areas in which you may not have expertise. On a broad level these will include functional areas such as **marketing, finance** and **operations**: at the specific level attention may need to be focussed on issues like IT infrastructure, metadata standards and accessibility guidelines. And while business plans are sometimes conceived primarily as a means to kick-start a new venture, they can also be used as long-lived and adaptable business planning tools, working documents that change to reflect the evolving nature of your Open Access journal and the business and technical environment in which it develops.

If you are unfamiliar with business planning, this short document will outline the topics you need to think about. At the end of the initial business planning process you will have a document that should provide a guide or roadmap as you bring your idea for a new Open Access journal to life. Ideally you should write the plan yourself but, since no one person can be expert in all business disciplines, you may feel you need some help. In this case, you should try to identify the areas in which you have sufficient expertise and those where you will need input from others.

The journey from the spark of an idea to the successful, sustainable operation of a publishing enterprise can be challenging but a business plan provides the means to navigate, avoiding potential pitfalls along the way.

You may need to seek advice from colleagues within your institution such as colleagues working in the library, finance department, human resources department, legal services and information technology services. There is also a wealth of relevant information to

be found using the Web and other information sources which can be particularly important when it comes to working out how best to position your new journal in the busy scholarly communications space.

Before you commit to writing a business plan it would be worth spending some time briefly to evaluate the feasibility of your idea. Often people have what seems to them to be a brilliant and unique idea only to find, on slightly closer inspection, that others have already had the same idea and possibly have acted upon it.

If you are considering launching a new Open Access journal it is likely that you will already know the journals that serve your academic niche. You probably also know how well they perform and the esteem in which they are held by the academic community of which you are part. It might be worth considering, as part of a quick evaluation, the relative position of journals that would be competitive with your new journal in terms the audience they target. You should think particularly about their perceived quality and accessibility (which includes the extent to which they are Open Access and, if they are not, the degree to which their price limits accessibility). Plotting these in an appropriate fashion can give a good indication as to whether there is a gap that your new journal could usefully fill.

This document will propose a business plan structure but you should feel confident in adapting it to the particular goals and circumstances that are relevant to you. The result should be a document that is helpful as you seek to develop your idea into a successful publishing venture.

There are a great many examples of business plans published in books and on the Internet, some of which are more appropriate to publishing than others. Some are brief, others perhaps overly elaborate; you will need to find the right balance and that will be guided to some extent by the resources or permissions you need to persuade others to supply. In principle,

however, all business plans have a number of generic sections describing activities that are fundamental to all enterprises and ventures, things like finance and marketing. This document will propose a business plan structure that covers the usual bases but you should feel confident in adapting generic plans to the particular goals and circumstances that are relevant to you. The result should be a document that is helpful as you seek to develop your idea into a successful publishing venture.

The main elements of a business plan

Your business plan should include the following sections, though the emphasis you place on each will reflect your individual circumstances.

First, you will need a brief **introduction** that will cover things such as the names and addresses or institutional affiliations of the key people involved in the venture, the nature of the venture and a brief statement about the resources being sought, if any.

Next the plan should have an **executive summary** that encapsulates the essence and any particularly important details. This may be the only part of the document that many of your target readers will actually read so it is important that it really does communicate your aspirations as succinctly and compellingly as possible.

A **description of the business venture** will be required, one that explains what sort of journal you want to launch and why, what the size of the enterprise will be initially and perhaps in the medium to longer terms if you wish to extend your publishing enterprise beyond a solitary journal.

It is important to set your plans in a **market context**. Open Access journals have been on the scene for a few years but not all your readers will necessarily understand the difference between Open Access journals and those that guard their content behind toll barriers. A succinct appraisal of the key factors that underpin the growth in the number of Open Access journals, the benefits that accrue to readers and society in general, together with your views about the future of Open Access publishing may help persuade readers of the value of the business venture and indeed reinforce your own convictions of the public good that could derive from your efforts.

The **governance structure** of your venture will need to be outlined, addressing issues such as what the form of ownership will be, who will be directing the enterprise, what human resources are required and what will their roles and responsibilities be. Perhaps your institution will be offered or will want a stake in the venture, in which case the terms will need to be considered.

There should follow an appraisal of how your venture will actually work on a day-to-day basis. An **operational plan** should address issues such as how articles and other copy will be sought, what type of licence will govern the publication and re-use of content, what publishing platform will be used, what editorial governance and quality standards will be put in place, and how information standards issued by research funders will be complied with.

As well as producing the journal, a **marketing plan** will be required to boost the chances of success for the venture. Typical features of the marketing mix include promotion, pricing and distribution. Marketing should also include market research – initially to check the feasibility of the plan and later to source and assess user feedback.

The **financial plan** is one of the most important aspects of a business plan, grounding your ideas and aspirations in the reality of profit and loss statements, cash flow projections, revenue expectations and other sources of funding and break-even analyses. A well-conceived and realistic presentation of the financial fundamentals will inspire confidence in those from whom you seek support and provide you with a solid base from which to go forward with confidence.

Finally, no plan would be complete without a **risk assessment**. Producing a realistic summary of the risks that attend the venture offers the opportunity to think deeply about the potential downsides. Beyond the usual risks of over-spending and not realising the anticipated levels of revenue are environmental factors such as the disruptive nature of new technology and the changing nature of funders' policies towards Open Access.

This may look like a long list of things to do but we will look at each one in turn in more detail in this toolkit. All these issues will need to be addressed at some point in the normal operation of any enterprise, whether formally or informally, so going through the process now may not only help avoid difficulties later. Writing the business plan will help to reassure you that your idea is a good one, an idea that has the potential to be successful, and you will be in a strong position to make your idea come to life.

Description of the business venture

The benefits of Open Access publishing

If you want to publish an Open Access journal then it follows that your putative users understand what Open Access means in the context of publications. Not everyone does and some people may have only a partial understanding. Communicating the benefits of Open Access publishing should certainly feature in your description of the business venture since it provides a compelling justification for that venture.

General information about Open Access that you may find useful is usually available from your institution's library, where there will be experts in the field. You may also wish to consult the websites of the various advocacy organisations for Open Access.

The size and scope of the venture

Initially you may have in mind an idea for one new Open Access journal, but within your business plan you may wish to address the issue of expansion. If your new journal is a success it may highlight complementary subject areas that could also usefully be served by a new Open Access journal.

Initially you may have in mind an idea for just one new Open Access journal, but within your business plan you may wish to address the issue of expansion.

Whatever the size of the publishing portfolio, you will need to envisage what **human and other resources** are required to support the venture. You may plan to do a lot of the work yourself to begin with and will be able to do so from your current workplace. If you need additional people, however, will **office space** need to be found? You may consider **outsourcing** work to external freelance contractors, which would obviate the need to have internal staff.

Since Open Access publishing is enabled by **technology**, you are not restricted in terms of where you want

your venture to be located; you are also freed from the costly burden of the transportation of physical products, a burden that constrains the location of so many start-up organisations.

You should define the **scope of the business**. Typically in the publishing world 'scope' refers to either the subject areas you are targeting with your journal: it can be narrow (specific to a certain sub-discipline) or broad, encompassing a range of loosely associated disciplines or focused on a specific geographic market. Obviously many academic disciplines are studied internationally, but geographically bounded journals

are common (the American Journal of x or the British Journal of y). There are advantages and disadvantages to any approach but you will know the specific dynamics of your area of academic interest. Other factors may help you define the scope of your enterprise: if, for example, your business model is based on making publication charges to authors, you would want to be certain that the scope of your venture includes authors that are likely to have access to funds – either via their research grants or their institutions – to be able to pay such charges.

What equipment and technology will be needed?

Fortunately the barriers to entry with respect to starting an Open Access journal are low in this era where electronic information is so commonly produced and consumed. Software is freely available to enable you to produce Open Access journals, notably Open Journal Systems (OJS).

If your institution has an **institutional repository** or a similar system, often these can be used as a platform for Open Access journal publishing. EPrints and Digital Commons are examples of repository platforms that facilitate publishing of that type. Since the software can be downloaded or at least accessed freely, the main cost will be computing hardware, though most people have access to a computer already. If you envisage the size of your organisation growing beyond the level where manual systems are adequate, it might be prudent to look at manuscript tracking systems to help make the editorial process as efficient as possible.

What experience do you have?

It is often said that investors invest in **people** as much as the idea itself. In this context it is useful to describe your own experience and motivations in the business plan. The success of the venture, in the early stages at least, will be closely associated with your motivation, energy, drive and experience. Why do you want to start an Open Access journal and what can you – and your co-founders if there are any – bring to the venture?

As well as convincing the readers of your business plan that your strengths, in combination with the attractiveness of your idea, are sufficient to justify investment of whatever type, you also need to be certain yourself that this is something you want to take on and to persevere with. This process of **identifying your strengths** and putting them down on paper can be helpful in that respect.

The ingredients for success

What is so great about your idea? Why do you think it will be successful in a world that has tens of thousands of academic journals? Is it somehow unique; is it sufficiently differentiated from existing journals and if so on what basis: subject area; target audience; quality; format; price?

Identifying and characterising the factors that will ensure your journal becomes successful is important. **The key factor may well be you**: the personal qualities and experience outlined above may well give your venture the competitive edge. You may have the contacts and background, for example, to be able to persuade key authors in your field to publish high quality papers in your journal.

The Market

The publishing environment

If you are using the business plan to attract financial investment or, similarly, access to institutional resources, you will need to demonstrate a clear understanding of the business environment with which your venture will operate.

It is well known that the scholarly communications industry is dominated by a few large commercial publishers, that there is a very long tail of small commercial publishers, a large number of society publishers (many of which operate along the same lines as commercial publishers) plus a growing number of Open Access journals. Since you plan to start an Open Access journal, the **Directory of Open Access Journals** is a respected source and will give you an idea of which Open Access journals currently exist in the subject area in which you wish to publish.

Macro-level forces in the business environment

At the macro level there are forces in the business environment that may have an impact on your business venture. Typically you might consider the effect of the following forces on your venture, noting that they are likely to change over time: **political; economic; social; technological; legal; demographic** and **ethical**.

This is not the place to run through the full analysis, but clearly it is possible to identify factors in each of these environmental forces that could impact Open Access publishing. You will need to consider the extent to which they might affect your venture, positively or negatively, and make appropriate statements in your business plan.

If you think the political and economic winds of change are blowing in favour of Open Access publishing, underpinned by changing technologies, then make that case in support of your idea. You can track your analysis over the course of the next few months or years, making adjustments as necessary.

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Competitor analysis

It is quite likely that your new journal will face competition either directly or indirectly, possibly on a number of different variables. This need not be a problem *per se*: many competitive markets see new entrants appear. Some are successful, others not. Truly understanding the nature of your competitors will help you be in the successful category.

Once you have identified your competitors – maybe on a journal-by-journal basis – it would be useful to assess the strengths and weaknesses of each one. This analysis may help you identify ways in which you can position your journal differently so that it offers your target audience something unique, something they value.

That might be based on design, content accessibility (in terms of ease of navigation and discoverability), the type of content, the quality of the content, the way quality control operates and maybe even the customer service experience. The proposition will be different in every case, but it is normally a mistake to bring to market something that in most respects is identical to an existing product or service unless you plan to compete strongly on price or value.

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Ownership and governance

Ownership and type of enterprise

For all enterprises it is important to establish the type or nature of the enterprise and **identify clearly who owns it, wholly or in part**. If you work in a university or other research institution and plan to run your online journal at work or at home using resources owned by your employer, who will have ownership of the journal? To avoid potential problems in the future, such issues should be considered as part of the process of writing a business plan.

To some extent resolving the issue of ownership will be dictated by your motivation for starting an online journal. If your primary motive is altruistic, providing a new channel for scholarly communication for the good of your peers and society in general, then you may not welcome the legal responsibilities that come with ownership of an enterprise.

In such a case it may be desirable for your employing institution to be the primary stakeholder, in which instance it is reasonable for the institution to provide the time and other resources required to cultivate and sustain your new journal. It may be seen as unreasonable to expect your employing institution to support this by providing free resources but, again, this could be a subject for negotiation. The institution may take a formal stake holding or be content to reap the reputational benefits that would be forthcoming if your journal is a success.

To avoid potential problems in the future, ownership issues must be sorted out right at the beginning of the venture.

If, however, you wish this or a suite of journals to form a personal legacy, or if you have a long term commitment to your journal idea but would not wish to rule out moving to a different institution for career change or advancement in the future, then you might consider a different model. In most countries **there are a number of different legal types of organisation**. The details and names vary from country to country, but the main types are generally sole trader, partnership, limited company or some form of charitable status.

Finally, if you have aspirations to grow a business or potentially sell your journal to a larger Open Access publisher when it becomes successful, then it is likely you would want to retain a sizeable share of ownership and control. Depending on your attitude to risk, forming a limited company is quick and simple and has the benefit of limiting your personal liability. It does, though, come with legal responsibilities such as providing annual statutory financial reports to the relevant authorities.

Governance

Governance of the business is important to establish at an early stage. The more successful a venture becomes, the more people will want to have a say in how it is directed.

If the venture is to be a **partnership** between two or more parties then the terms of the partnership agreement will need to be specified so it is clear who makes the key decisions and how they are made.

A partnership agreement needs to make clear who makes the key decisions.

If the enterprise is **incorporated**, the main shareholders will need to be identified and their share holding made clear. Companies can issue shares that have voting rights and those that do not, so again the allocation should be made plain.

In an incorporated enterprise, shareholders must be identified and the size of their shareholdings made clear.

It is possible to have companies with a single director, but if there is to be a Board of Directors their biographical details and relevant experience should form part of the business plan. The roles and responsibilities of managers – including the identification of those empowered to authorise expenditure – should be itemised as part of the plan.

The Operational Plan

The editorial process

At the heart of any publishing operation is a sound editorial process. The essential ingredient is suitable content. The scope and quality boundaries will be set by you and noted in your business plan as part of the value proposition. There is a place for journals at many points along the quality spectrum; you will need to use your judgement based on your experience as to what is required for the gaps in provision that you perceive.

Assuming you propose to operate a journal where content is conventionally **peer-reviewed**, then a process will be required for that, one that may be manual or managed using a software application.

Then follows a process of **copying editing and formatting** prior to publishing the item. If your journal is exclusively online you may choose to add content as soon as it becomes available or you may wish to release it at set intervals through the calendar year.

The steps of the process you choose should be clearly identified as part of your business plan; a **flow diagram** could help readers clearly understand what is involved.

The steps of the editorial process you choose should be clearly identified in the business plan.

Licensing and re-use

If you are proposing to publish an Open Access journal then it is clearly your intention to allow people to access your content without charge. However, it is helpful to authors and users for you to be explicit about how your journal's content may be used. It would be appropriate to review the various open licences described on the **Creative Commons** website to inform the decision process.

Additionally, you may find it useful to review the licenses used by competing journals in your field, bearing in mind the types of licences that are acceptable to funders, especially to those funders that provide money for article processing charges (APCs) or allow grant funds to be used for this purpose.

Specifying an **appropriate licence** in your plan and explaining the reasons for your choice will be useful to your readers.

IT and publishing tools

This is a good time to be looking into publishing Open Access journals: not only is the policy environment broadly favourable but also the technology that enables this type of publishing has been evolving and maturing.

Open Journal Systems is perhaps the most widely used platform for Open Access publishing. It offers open source software together with a range of services such as hosting. There are other similar systems and you should carry out a systematic review of what is available before deciding on the one to use.

The technology that enables Open Access publishing has been evolving and maturing.

If you plan to operate your venture from a university or other research institution your library or IT colleagues should be able to advise you on the best local systems to use to optimise the efficiency of your operations while at the same time ensuring your

content is as discoverable as possible.

It should be stressed and perhaps highlighted in your business plan that you do not need to be a technology expert in order to produce and distribute electronic Open Access journals. A variety of well-developed tools are at your disposal.

Metadata, standards and discoverability

Journal publishers typically create metadata that provide a range of detailed information about your content. This information includes all the bibliographic details of each article plus other data that describe the article and elements of it, including data that can uniquely identify the article. Normally this is shared using the Digital Object Identifier (DOI) system and you should invest some time in looking into DOIs and describing their value in brief in the business plan.

There are other metadata standards about which you should be aware since, by providing appropriate metadata (typically consumed by institutional repositories and similar systems), you are doing the community a service thereby adding value to your proposition. Across the EU, the OpenAIRE project has established metadata standards that apply to repositories and should be noted by journal editors wishing to make their content widely shareable, especially those using a repository as the publishing platform. Specific countries may also develop their own metadata systems. For example, in the UK, the RIOXX Application Profile (formulated primarily by Research Councils UK) provides the information that enables institutions to comply with the Higher Education Funding Councils' Open Access policy and making sure you're your journal's metadata scheme supported this would be viewed as providing a useful service to the community.

Finally, you want your content to be visible: discoverability is therefore critical. Ensuring major search engines can easily index your content is important. Using an established institutional repository as your primary publishing platform helps ensure discoverability since such platforms are regularly crawled and indexed by these search engines; if you were to set up a new website it may take rather longer to achieve the same exposure, although there are companies that help with search engine optimisation. It is unlikely to be necessary to go into detail about these sorts of issues in your business plan but mentioning them and your approach in outline provides a baseline that you may wish to refer to later as your operation and experience grows.

Human resources

In spite of advances in technology publishing is primarily a human endeavour requiring qualitative input and judgement based on experience.

If you are unable to do the editorial, technical, marketing and financial work yourself, then you will need a plan to source time and expertise from others. It may be possible to recruit willing volunteers or it may be necessary to recruit staff or contractors. Your plan will need to make clear where the capability gaps are, how they could be filled and at what cost. These people and their activities will also need to be managed, so the plan should indicate how this management process will operate.

Finally, if you plan to expand the business as soon as possible, your business plan should cover the kind of staffing needs that you will have initially and the steps that you will take to increase staffing levels in accordance with need.

Discoverability of your content is critical. Ensuring that the major search engines can easily index your journal's content is therefore a very important factor.

The Marketing Plan

Promotion

Because specialist journals have discrete audiences that are relatively easy to identify there is little need to spend the large amounts of money required for a product to gain attention in, say, the consumer market. It is important, though, to get information into the target community so that people are aware of the new journal.

The business plan should address how this will be done. Promotional leaflets at relevant conferences and exhibitions, direct approaches through email or personal contact and the development of an attractive website all help raise awareness. So long as the first issue or few issues of your journal demonstrate the qualities you think help to differentiate it from others, positive viral or “word-of-mouth” promotion – which is of course free – will begin to have an effect.

You should also look to have your journal listed in as many places as you can find (online directories and the like) and potentially in the popular citation indexes. Of course, applying for inclusion in the **Directory of Open Access Journals** should be an early step, for this is the main listing for journals of this type and its quality control process ensures that journals appearing in the listing are trusted.

Applying for your journal to be included in the Directory of Open Access Journals should be an early step.

Depending on the scope of your journal, the target audience may be quite limited, perhaps only a few hundred people around the world, and this should be borne in mind when considering how much to spend on promotion.

Pricing and the Business Model

In the Open Access world pricing cannot be divorced from the key issue of selecting an appropriate business model. There are several options. A brief summary is provided here but, for the purposes of business planning, you would be advised to research the options and select a model that best suits your circumstances and aspirations.

Community publishing

This model relies on people volunteering their time to help with peer review, editing and production in order to defray operational costs. The work is **done for free within the academic community** so that Open Access journals can be produced at little cost. In reality, this activity is usually effectively subsidised by the host institution since facilities and resources are used in support of the journal publishing activity and this use of resources should be made explicit in your business plan.

Sometimes a printed version of the journals may be produced and distributed on demand ('print on demand'). Under this model pricing for the printed journal will be set on a cost-recovery basis.

Institutional subsidy

After a period where university presses appeared to go out of fashion, there is a resurgence of interest and activity in this sphere and the institutional press may be the natural and best option for your journal. Even if your university does not have a press, that should be no obstacle to you proposing to **launch a new journal publishing venture from within the organisation**.

Research all the options for your business model and select the one that best suits your circumstances and aspirations.

Your business plan should make it clear what level of investment you need. The investment might be an explicit amount of money if, for example, you see the need to recruit people, or it may be implicit in terms of access to resources that already exist within the organisation such as access to IT support, the Internet, computing equipment and office space. Since the institution is already incurring the fixed portions of many of these costs and, since the costs

might be difficult to disentangle and quantify, you would need to think about how the costs of production should be reflected in the business plan. In any case, it is unlikely you would need to devise a pricing strategy since the institution is paying the costs.

Journals supported by advertising or sponsorship

The extent to which your journal may be able to attract **advertising or sponsorship revenue** will depend on your target audience; in some fields such revenue is difficult if not impossible to secure. For start-up journals it is difficult to envisage this being a reliable source of revenue and caution should be exercised with respect to projected revenue if you propose to rely on this model in your business plan.

Hard copy sales

Many Open Access journals are successfully published and sustained using a model by which online access is freely available while people who would prefer printed copies of the journal have to pay for these. The price for these 'hard copies' needs to be set at a level that covers the costs of the whole operation, not just the costs associated with the printing and distribution of the printed copies. In all cases you should expect to have a good idea of what your **costs of production** are at a granular level (staffing, marketing,

IT, editorial and so on); in this model is particularly so since you would not wish to set your price below the overall cost of production.

Article processing charges (APCs)

Although the majority of Open Access journals do not impose **article processing charges**, where funders or institutions explicitly provide funds for this purpose it is a useful and legitimate means of funding the publishing operation.

In addition to knowing the likely cost base of your journal publishing operation it would be useful for you to research the range of APCs that are being charged by other publishers with journals that serve the target market that you are targeting with your journal. It may be that you could charge more than your cost of production but less than, say, commercial publishers are charging. In this case your chosen price point could be a useful part of your differentiation and marketing strategy.

Distribution

The distribution of printed journals around the world is an expensive business involving **warehousing and transport costs**. Thanks to advances in communication technology it is now a reasonable strategy to dispense with printing and instead distribute journal content electronically. This is, of course, far less expensive than shipping heavy paper journals and since you will be making your content accessible for free, it relieves you of the need to install toll barriers on your distribution system, which simplifies matters.

Clearly, though, if you adopt the hard copy sales business model described above then you will need a system for printing and distributing printed copies of your journal.

Market research

Market research is useful not just because it can provide sound information upon which to base business decisions but also because it demonstrates to the readers of the business plan that you have investigated and therefore **understand the market** or markets you aim to serve with your new journal.

As to what kind of market research you should do, that will depend on what gaps there are in your current knowledge and it will be dictated to some extent by how much money you have or wish to invest in market research. Common sense dictates that the cost of market research should be proportionate to the total costs of setting up the venture.

Thorough market research demonstrates that you fully understand the market you intend to serve.

What type of market research should you do? There is no hard and fast rule in the scholarly publishing industry. Wide scale email and web-based surveys are feasible but

not necessarily that reliable: in a world where survey fatigue prevails, those that do respond tend to be self-selecting and in the absence of information about what the people who didn't respond might have said (the "non-response error") interpreting the results is far from straightforward.

On the other hand, since it is relatively cheap and easy to start a new journal, some people regard the setting up of a new online journal as part of their market research.

A middle way would be to undertake some **qualitative research on a judgement sample** of people you identify as working within your target audience. This would comprise detailed discussions by telephone or face-to-face and may cover how well they are currently served by existing journals? Would they prefer to publish in an Open Access journal? Do they have access to funds to pay publication charges? What features in terms of content or technology would be sufficient to persuade them to publish in or read your journal? There are many questions that could be asked and ideally you would use a semi-structured approach to such interviews to enable collation and analysis of responses.

The results of the research, and your conclusions about the market and how your journal will serve it, should be written into the business plan.

The Financial Plan

The **financial plan** is one of the most important elements of your business plan. Nearly all enterprises rely on flows of money and other resources to function. Even if your publishing venture is run under the community or institutional subsidy model, there are still costs, whether implicit or explicit, that should be recorded and monitored. If you are operating as a commercial enterprise then you will normally be required by law to keep good financial records, which will be used as the basis for statutory reporting to the tax authorities.

Your financial systems can be as simple or complex as you choose – and it might be a good idea to research a suitable software tool to facilitate the process – but as a minimum you will be aiming to produce three key financial statements to help with managing your venture and to ensure your statutory reports are accurate. These are: first, anticipated revenue and expense figures (which can be summarised in the form of a **profit and loss statement**); second, a **cash flow statement**; third, a **balance sheet**.

Ideally you should prepare three years' worth of figures to give readers an idea of your projected trajectory for the venture. These three types of financial information are considered in outline below, but remember that this need not be daunting or onerous: if you are in the first instance running a one-journal operation then your financial system should be simple and not unduly burdensome.

Ideally, you should prepare three years' worth of figures and projections.

Revenue and expenses: the profit-and-loss statement

Working to a 12-month calendar, you should itemise all the likely expenses that the venture will incur including any start up costs (say for equipment, furniture, market research and initial promotion). You should try to be as realistic as possible, researching the cost of things like having somebody set up a website, the acquisition of software for administrative purposes like book keeping or manuscript tracking or peer review management.

While it is possible to get a good idea of what costs the venture is likely to face in the beginning and for a reasonable period thereafter, projecting realistic revenue figures is more difficult. You want your revenue figures to be credible to readers and realistic so you can have confidence in your forecasts. There is a fine line between being ambitious and wanting to challenge yourself in terms of revenue generation, but there is value in prudence. Excessively optimistic revenue projects are likely to raise rather than settle doubts in the minds of the readers of your business plan.

Under normal circumstances it is inevitable that, in the beginning, your costs will outstrip revenue. This is of course why **start-up capital** is critical to most new ventures. The extent to which you rely on external funding and for what period of time will to some degree reflect your ambition: if you plan to start several Open Access journals in the first year your requirement for funding will probably be greater than if you were to adopt a more modest approach and start slowly, growing organically as funds allow.

At various points in the year and certainly at the end of the first 12 months you will want to produce a **profit and loss statement**. This summarises your more detailed revenue and expenses records and might be presented in a fashion similar to the example shown below.

The turnover figure is the total money that has come into your business in the year. In a simple profit-and-loss account such as this example, cost of sales represents the total costs incurred in making and selling the goods, including all the standard overhead costs: in a journal publishing operation this would include things such as staff costs,

The final profit figure – sitting on the ‘bottom line’ of your balance sheet – is your ‘margin’.

materials and equipment, stationery, telecommunication costs, rent of space, heating and lighting costs and so on. Administrative expenses are the costs relating to the management of the operation, including such things as accountancy services and other professional services that must be paid for to ensure you have complied with any statutory requirements.

Now we come to the core issue – your profits. Gross profit is your turnover (income) less the cost of sales. Once you take off the administrative costs from this you get the operating profit figure – the overall profit on your trading operation. Add to this any interest income from your bank investments (if any) and you arrive at the profit before taxation. Yes, sadly, taxation makes an appearance here. Your government will want to dip its fingers into your profit pot each year and the level of taxation is determined by individual governments: in our example, we have used a 20% tax rate for illustrative purposes.

Once you’ve written the cheque for tax, you can celebrate your final profit figure. In the appropriate jargon, this is your ‘margin’ and, because of where the figure sits in this financial statement, is usually referred to as ‘the bottom line’. The bottom line represents the general picture of how well your business has performed after all the costs are taken into account.

In our example, the profit is over 40% of the overall turnover – a very good result indeed. This profit is what you carry forward into next year and invest in new business ideas or equipment, distribute to your shareholders (if any) as dividends, or save in the bank. In reality, it is usually a mix of all of these.

New Open Access Journal Venture						
Pro Forma Profit & Loss Account						
End of Year 1						
£						
Turnover	→	→	→	→	→	→ 14,500
Cost of sales	→	→	→	→	→	→ (5,250)
Gross profit	→	→	→	→	→	→ 9,250
Administrative expenses	→	→	→	→	→	→ (1,650)
Operating profit	→	→	→	→	→	→ 7,600
Interest receivable & similar income	→	→	→	→	→	→ 14
Profit on ordinary activities before taxation	→	→	→	→	→	→ 7,614
Tax on profit	→	→	→	→	→	→ (1,523)
Profit for the year	→	→	→	→	→	→ 6,091
Retained profit brought forward	→	→	→	→	→	→ 0
Retained profit carried forward	→	→	→	→	→	→ <u>6,091</u>

The cash flow forecast

For a new venture, keeping a watchful eye on **cash flow** is particularly important. Your cash flow forecast for the first 12 months should, month by month, itemise your initial funding, projected sales revenue and other receipts. In addition you should allocate planned expenditure. This approach will help ensure that you have enough cash to pay for planned expenditure over the course of the period.

Most enterprises have a fixed element to their spending (**fixed costs**) which comprise regular overheads such as rent and Internet fees together with salaries and social security payments.

Other items of expenditure will vary according to cyclical business needs and may include one-off purchases (**variable costs**). Variable costs are not always straightforward to plan for but it is worth investing the time to produce figures that

Keeping a watchful eye on the flow of cash is particularly important. Even businesses that are profitable on paper can get into difficulties by having insufficient cash to pay the bills.

are as realistic as possible since running out of cash at critical times can lead to difficulties – short term borrowing, if that is possible, is normally an expensive way to fund business expenses.

An example of a cash flow statement covering a three month period is presented below. These statements can be as simple or as detailed as you find useful and you should create a template that best reflects the position of your venture. This approach is designed to include all cash inflows and outflows, not just sales revenue and operating expenses, as well as to record the time at which you expect to have inflows or to pay expenses. You could do cash flow projections and statements more frequently than monthly but that is not normally necessary.

The key point to understand is that by using an approach like this you know you will have the cash to pay the venture's bills when they fall due. Even businesses that on the face of it are profitable over a 12-month period can get into difficulties by having insufficient cash to pay bills on time.

	April	May	June	Total
Cash inflows (income)	£	£	£	£
Sales revenue	1,000	2,000	4,000	7,000
Interest on savings/investments	10	10	15	35
Loans received	5,000			5,000
Totals	6,010	2,010	4,015	12,035
Cash outflows (expenditure)	£	£	£	£
Payroll	950	950	950	2,850
Equipment hire	200	200	200	600
Office space rental	250	250	250	750
Internet access	65	65	65	195
Other operating costs	300	175	400	875
Loan repayments	0	0	0	0
Dividend payments	0	0	0	0
VAT/other taxes			1400	1,400
Totals	1,765	1,640	3,265	6,670
Opening balance	1,000	5,245	5,615	Total
Total income	6,010	2,010	4,015	12,035
Total expenditure	1,765	1,640	3,265	6,670
Net cash flow (income less expenditure)	4,245	370	750	5,365
Ending balance	5,245	5,615	6,365	6,365

In this example, the business keeps a positive current account balance throughout the period, though there are times (e.g. the end of May) when the cash level is getting very low. Importantly, a cash flow forecast like this will indicate if there are times when a business might expect to have a negative cash position (be 'in the red') and for how long. If that kind of scenario is forecast, the business should take steps to arrange an overdraft or obtain a loan (even though repaying loans mean additional costs for the business), or use directors' money to keep the cash flow healthy during the problem periods.

You may choose to use your financial figures to devise a break-even analysis which will identify for any given financial or strategic scenario the point at which revenue and costs are in balance and where any improvement in terms of greater revenue or reducing costs will result in the venture making a surplus which is, of course, an encouraging sign in normal circumstances. The break-even analysis is a useful tool since it can be presented graphically so different combinations of revenue, fixed and variable costs can be tried to ascertain their impact on the point at which a venture will become profitable.

The balance sheet

A current balance sheet provides a snapshot of the financial situation of your venture at any one time. In essence a balance sheet shows the assets of an enterprise (everything it owns) and its liabilities (everything it owes). It also provides some information about the stakes invested by the owner(s).

Your business plan should contain a **projected balance sheet** for the end of the first 12 months of trading. Figures from the revenue and expenses projections and the cash flow analysis will be needed to substantiate the figures presented in the balance sheet. For management purposes, you may find it useful to prepare a balance sheet at certain intervals throughout the year, quarterly perhaps. A simple example of a balance sheet is presented below.

New Open Access Journal Venture		Pro Forma Balance Sheet		End of Year 1	
				£	£
Assets					
Current assets					
→	Cash at bank and in hand	→	5,500		
→	Debtors	→	2,000		
→	Supplies	→	100		
Fixed assets					
→	Computer equipment	→	2,500		
→	Less depreciation	→	(625)		
Total assets					9475
Liabilities					
→	Creditors	→	1,000		
→	Loan	→	6,000		
→	Credit card	→	250		
Total liabilities					7250
Net assets					2225
Capital and reserves					
→	Capital	→	2,000		
→	Retained profit	→	225		
Total equity					2225

The **debtors** item is the money owed to the business at the time, usually money expected from customers or clients. **Supplies** is the value of goods and stock that the business has at the time. The **creditors** item is the money owed to others at the time, usually money that will be paid to suppliers who have invoiced for goods and services and have not yet been paid by the business.

The business's **shareholders' equity** is the difference between the assets and the liabilities – and is hopefully a positive number!

The Risk Assessment

Entrepreneurial activity carries risk by its very nature but the risk spectrum is wide and starting a new Open Access journal may reasonably be characterised as a relatively low risk venture, partly because the barriers to entry are so low in terms of the operational resources required.

Of course your subject-based expertise is specialised and therefore scarcer: that is the source of your ability to target the journal appropriately and source the necessary content.

Even with low barriers to entry you will be risking something: your own reputational capital; the reputational capital of your institution if you are working with it; the goodwill of colleagues in and beyond your institution if they are providing advice or operational assistance; your time and any associated stress factors and of course the money that you or others may invest in the set-up, marketing and operational aspects of the venture.

You, plus any partners that are to be part of the venture with you, should spend some time assessing the risks associated with the venture, and should draw up a basic risk assessment in the business plan. The exercise will help you think about what might threaten your venture and how you can put things in place to minimise the threat. The risk assessment can take the simple form of a list of perceived risks, the likelihood of each one happening, and the way in which you would mitigate them.

The example below illustrates this kind of exercise.

Risk	Probability (P) [1-5]	Severity (S) [1-5]	Risk score (P x S) [1-5]	Mitigation
Loss of key staff member	2	4	8	Team has overlapping skills and can absorb brief periods of short-staffing
Customers pay late for hard copy journals	4	1	4	Customers pay annually in advance: print-on-demand reduces our cost liability
Technical problems with publishing platform	2	2	4	Service contract with technical suppliers holds them to 24-hour fix period
University ends agreement to support the venture by providing space	1	1	1	Very low likelihood: university has agreed in writing to support venture for 5 years