Journal Pricing Policy

The publisher, agent and librarian

John Cowley


When economic pressures are great and the political climate hardens; when market forces are given greater prominence, existing structures, systems and attitudes come under great pressure. When the system under strain embraces both the public and private sectors, problem-solving becomes extremely complex and the search for fairness and basic justice fraught with difficulty. A possible reaction is to pretend that nothing much has changed and that minor adjustments will lead to solutions. The reverse is to sweep aside existing arrangements and to embark on an economic free-for-all, perhaps ending in the temporary dominance of one of the participants and disruption for others. The majority, however, might favour the scenario of an all-party critical appraisal of existing systems and practices to be followed by an agreed manipulation of change which will seriously hurt no one, protect the most useful existing elements and yet face up realistically to new circumstances. If all that is too obscure, let us bring the subject into focus by stating that the supply of periodicals to libraries, the function of the agent and the future of the publisher are all under the kind of pressure which cannot be ignored and which might require radical action in the 1990's.

Collectively, the publisher, agent and librarian are all concerned with the scope and volume of periodical production, the quality of publication - both in physical and content terms - the efficiency of the process of distribution and marketing and the broad economics of the printed product.

In times of plenty and expansion, typified by much of the Seventies, during which librarians anticipated a steady growth of stock financed by expanding budgets, price increases in books and journals, though often perceived as excessive when compared with standard rates of inflation, gave no undue cause for alarm and were generally accommodated. This was a period of incremental budgeting that in crude terms asked few questions of librarians and consumers and worked on the assumption of "the same as last year with a reasonable top-up". Standing orders and subscriptions were broadly maintained and new subjects and interests catered for. Frankly, it was then all too easy to shake the money tree; financial pressures were occasional and short-lived and end-of-year spending sprees could be relied upon to sort out temporary difficulties.

In such a climate, the publisher was able to adopt pricing policies more in line with what the market would tolerate rather than those related to true costs and reasonable profits. The bookseller and agent accepted these price increases and added their own profit margins and the librarian simply paid up! Occasionally, as the pound fell in value, librarians expressed concern at sudden surges in subscription renewal charges, but until 1980 minor adjustments and use of contingency funds allowed the librarian to meet increased demands on budget.

From 1980 the climate changed dramatically. The real value of book and periodical budgets began to decline rapidly. The flow of library materials to the shelves deteriorated as book and periodical inflation exceeded by far the official rate of inflation and surges in the value of the dollar put pressure on the pound. These adverse financial developments were compounded by the steady switch in funding from printed materials to computer software and maintenance.

The librarians' embracing of new technology, computer and audio-visual, was correct, inevitable and, in relation to staffing losses and user expectations, essential. But the price had to be met by a significant decline in materials purchasing power. In academic libraries one reaction to the financial crisis was to have academic and research staff leap to the defence of the advanced periodical, but this placed increased pressure on the undergraduate texts.

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Once spending on journals had exceeded 50% of materials budget many librarians began to defend their book purchases and were forced into major periodical cancellation exercises.

Incidentally, these drastic changes placed the allocation of library budget firmly in the limelight. What had been an exercise conducted in camera between librarians suddenly became of interest to Faculties and Departments who were anxious to have improved knowledge of how the limited finance was to be deployed and what were the priorities in collection building and maintenance. The library as a cost centre suddenly became of interest to many of those served by the library. The subsequent academic inputs, though occasionally extremely biased, had their value and, on the whole, librarians welcomed the new era of greater openness and outside interest in library affairs. The astute librarian was able to use this new level of interest to garner external support for the defence of the library budget and to increase the chances of supplementary funding from research and subject interest anxious to protect the quality of their specialist areas.

Whatever alleviation was achieved locally the overall decline in funding was to place a question mark on the libraries' ability to maintain academic support standards and to deprive library users of required reading. Inevitably, the impact of this deterioration was to be felt all along the chain. In the world of serials, publishers and subscription agents had to accommodate an increasing volume of cancellations, while the librarian had to think hard about priorities and to consider how best to maintain a balance between the acquisition of material and access to it. The librarian in endeavouring to protect the quality of the periodical collection, reconsidered how best to obtain the right periodical or periodical article for the reader without too much delay and at as little cost as possible. The publisher and agent, operating in a competitive and profit-making environment, were anxious to protect the volume of orders and to maintain market share. But these responses can be described as predictable and limited in relation to prevailing economic and technological developments.

If we accept the relevance of the situational model which argues that the most effective management depends on radical responses to existing set of circumstances and if we agree that we are all now operating in times of uncertainty, of political and technological change, then perhaps we should be looking for fundamental adjustments in the traditional publisher-agent-librarian relationship. If the economic environment is harder, if central government is creating a less protected climate, then those involved in the world of serials might be persuaded to adopt tougher attitudes. Whether this toughening becomes destructive or leads to greater openness and collaboration rests in the balance.

At the heart of the matter is everyone's need to survive. The publisher wishes to maintain the volume of sales and a decent range of titles. He/she wishes to be in touch with the market by knowing a title's clientele and having a measure of market feedback. The publisher must also generate profit, not necessarily on every issue of every title, but in the round, both to satisfy shareholders and to launch new titles.

The agent is also in business for profit but at the same time is motivated by the spirit of service to customers. He/she relies on a sensible working relationship with publishers and a close understanding of librarians' needs. Studies show that for modest mark-up on the basic retail cost of titles agents can provide a service, pay the publisher in advance and stay in business.

While it is possible in some future electronic age to envisage the decline of the agent as the source-to-user chain becomes more direct, for the moment the agent is investing heavily in more sophisticated customer services and in establishing stronger computer links with publishers. The creation of improved management and control systems and the offering of higher level information services is occurring at a time when powerful news and periodical publishers are reducing discounts and taking a firmer grip on circulation and distribution. The problems are such that it is possible to forecast the demise of the smaller, specialist agent who has not invested sufficiently in automation, who is not prepared to diversify and is unable to withstand the decline in profit margins. But those who have geared up to new demands and anticipated change will continue to provide a valued service and compete for improved market share. The pressures are considerable and margins tighter but the challenges are being taken up and customers' escalating needs being catered for.

For the librarian the position is essentially different. His/her basic needs are of efficient service, continuity of publishing and help with such problems as currency exchange, chasing and claiming and the obtaining of up-to-date price and bibliographical information. But a new
flavour has been added to library attitudes of late which can only be described as a harder, more business-like attitude in the face of spiralling costs and loss of budget in real terms.

In my own view, however, the newly found hardness has a soft centre, for despite almost a decade of deterioration in funding, librarians have not yet become sufficiently hard-headed and business-like in their fight to protect and conserve reducing resources. Of course, the fundamental fight may be that of resisting cuts and protecting budgets within the institution or authority. In this respect there has been no lack of effort; librarians in all kinds of settings have hammered away in committees, boards and councils reiterating the need for the maintenance of budgets and protection of staffing levels. As a result the slide in funding has been reduced but not stemmed; not many can claim to have covered the cost of real inflation nor protected entirely staffing establishments and opening hours.

But if we start from the point where the year's budget has finally been agreed it is at this juncture that one queries the tenacity of the librarian in squeezing the best out of a deteriorating situation. There are a number of avenues deserving of investigation and application. These are:
- the monitoring of publishers' prices
- the scrutiny of agents' performance and servicing costs
- the regular use of comparative tendering
- the practising of the collective action
- the seeking after alternative approaches to article delivery

Publishers' Prices

The publishers have their own problems to face: subscription cancellations, rising costs of raw materials, expensive labour charges, competition among titles and marked changes in the interests of the reading public. Even so the agent and librarian have been aware over the years of dramatic price increases which could not possibly be explained by reference to the problem of publishers' overheads. Consequently, the view had frequently been expressed that publishers are charging what they think they can get away with rather than a fair market price allowing for full coverage of production costs and a reasonable profit.

In the days of largesse the librarian might tut-tut but pay up and the agent adjust the renewals invoice and pocket the percentage on the added cost. In the current climate it is more likely that the librarian will consider cancellation, leaving the publisher and agent with lower profit margins. But isolated cancellations have limited impact and librarians therefore might consider supplementing this negative response by alerting their users to pricing developments and challenging, possibly collectively, the price increase. Groups of librarians operating in specific sectors e.g. the polytechnics, industrial libraries, could develop a co-operative monitoring group who would, in an organized way, transmit their views on exorbitant increases in strong fashion perhaps as a prelude to mass cancellation of subscriptions.

If such action were contemplated the initial communication of their disquiet would represent a fair and reasoned approach designed to open up a dialogue between publisher and consumer. It might be that the publisher could justify the increase in terms of a higher quality production, increased volume of content and coverage or some similarly cogent reason. Certainly, the dialogue should take place and in the process both sides could benefit. If in the end the verdict is "rip-off" then the necessary action is available to the librarian. Certainly, since 1985 there is ample evidence of the hardening of attitudes among previously quiescent librarians, particularly in the United States. As David Woodworth put it so succinctly at the Bryn Mawr Conference "serial publishers have made their pot of gold at the expense of, especially, academic libraries". Inflation in serials prices in the USA persisted at around 9% per annum; in the period 1981-85 prices of academic journals increased by over 40%, and this at a time when the dollar was strong and inflation low. Non-compounded price increases during the period were at not less than 8.4% p.a. This projected to 1994 would mean serials would double in price over the decade. The indignation felt in library circles was recently expressed by Houbeck's (2) article containing a telling quotation from a letter to shareholders of BPCC written in 1986 which reported that "on 1985 sales of £50m Pergamon's net profit before taxes and sales commissions was £23.7m (47%). Explaining Pergamon's considerable improvement in revenue and profits in 1985, the author indicated 'prices were increased well above the rate of inflation without depression of sales volume, whilst increases in production costs were kept well within the rate of inflation'. Earlier, in a reassuring preamble, confirming the unwordliness of librarians, shareholders were pleased to be told that "Historically, libraries have been concerned with the quality of the contents of journals, with the price being of less importance" -
a true statement perhaps until the mid-80's; but
for how much longer? In the USA certainly
Houbeck has been joined by Tuttle and others
attacking journal prices and in particular
challenging the practice of differential charging.
Now we hear the EEC has been persuaded to
intervene and is collecting information on
publishers' charging practices. Available evidence
suggests that excessive pricing levels cannot any
longer be explained by currency fluctuations and
high labour costs. It would be helpful to everyone
if future price increases above the level of RPI
could be explained and justified.

The Agent

Again to quote David Woodworth (4) "some
librarians think of agents as snatching away their
money for services carried out on behalf of
publishers ...". The agents' role is seen by some to
be parasitic, a description commonly used against
anyone involved in the function of middleman.
The agent can only exist by making a profit and
the costs of providing sophisticated, automated
services are high. The source of profit is usually a
combination of publishers' discount and modest
handling charges, both of which are currently
under pressure as business attitudes harden. It is
inevitable that with profit margins under pressure
and new technology providing opportunities for
revised operational methods the publisher will
wish to reconsider the role of the agent. This
combined with the librarians' alarm at the
decreasing value of budgets will put the agent
under greater pressure. Three years ago
SCONUL surveyed agent activity but, as far as I
know, the comparative exercise ended in
obfuscation and indecision such had been the
complexity of responses from agents. But about
the same time a group of librarians carried out a
survey which provided a useful glimpse of the
agents' approach to pricing and services.

The publication in 1985 of the Thornton and
Bigger (5) article brought to light unjustifiable
variations in agents' pricing policies. Of particular
concern was the difference in costs of overseas
material. Inevitably, in this instance, retail costs
had become entangled in currency fluctuations
which could be quite dramatic in the course of
twelve months - witness the changing £/$
relationship towards the end of 1987. Sensibly the
authors also referred to the quality of service on
offer and its importance in the scheme of things.
They even offered a checklist for testing
efficiency which no doubt had some agents
quaking in their shoes.

By and large, the 1985 survey concluded that most
agents were handling most items at a net profit of
4% which, considering the complexities involved,
did not appear to be excessive. But Thornton and
Bigger concluded that librarians must assess their
agents on a regular basis and monitor their
effectiveness. The common practice of renewing
year after year without checking performance and
without comparing costs is, they say, neglectful
and unprofessional. If that were true in 1985 it is
more so today. Library finances have shrunken
still further and every £1,000 saved by efficient
management is worthwhile. Certainly the
continuing acceptance of questionable efficiency
and excessive costs cannot be condoned. There
must be something to say in favour of three-yearly
tendering and a system of performance
monitoring to ensure maintenance of service
standards.

Collective Responses

Trade unions were funded on the basis of
collective response to oppressive management
and social injustice. The danger in collectivist
thought and action is that it can itself become
distorted and dictatorial. But employed with
reason and a fair concern for others it can
operate as a corrective to bad practice. If
publishers claim that regular excessive increases
in the price of journals is largely the result of
printing or production costs are they not capable
of taking collective steps to by-pass or modify the
seriousness of the problem? If agents are
incensed by reducing publishers' discounts are
they not capable of collectively hitting back? If
librarians are disconcerted by excessive price
rises in selected titles or not convinced of the
fairness of an agent's handling charges could not
steps be taken to fire a warning shot across the
bows? If librarians see themselves as victims of
unfair differential pricing can they not seek the
help of government agencies in attacking the
problem at source? If we all operate in mixed
economies, with a new emphasis on market
forces, should we not seek to use our collective
power to question, challenge and overturn that
which can be identified as unreasonable and
unjust?

New Technology

I earlier mentioned the switch of library funding
away from printed materials to new technology.
So far the bulk of this switch has mainly
accommodated library housekeeping systems. But
the growth in the use of on-line retrieval and
full-text retrieval has been steady and is merely
the prelude to other developments which can be
loosely collected under the banner of electronic
delivery. This in turn raises the question of a
heavier reliance on library acquisition of journal
articles, articles on demand, rather than the whole periodical. The economics of this approach are not yet clear and it is by no means certain that libraries will be able to conserve funds and satisfy users by placing greater reliance on such methods. Neither is it clear as to the reaction of publishers to such a service when faced with major questions of investment, copyright control, effective costing and a whole range of management technical problems. But it seems inevitable that electronic transmission of material in selected subject fields will come to have a decided impact on the publication and marketing of journal articles leading to major changes in the author-user chain.

Into the 1990's - Future Action

It is unlikely that there will be any recovery in the level of public funding during the next few years. The polytechnics, for instance, are facing further cuts as their financing is taken outside the control of local authorities from April '89. Recent customer visits suggested that some library funds could be reduced by 30-50% in the next year. It is hard to find anyone who feels confident of maintaining existing levels of funding. The bleakest scenario is one of serious cuts being followed by severe ones, of more cancellation exercises and a continuing re-appraisal of priorities out of which journal spending could suffer greatly. There is a real threat to standards of provision for students and researchers.

The obvious first line of defence is for librarians, agents and publishers to join forces to point up the decline in library provision and loss of markets. Government and public should be made aware of the seriousness of the situation. Within each area of operations the librarian must continue to fight for a reasonable share of authority and institutional budgets. If the library has a major, central role in the life of students and research workers, this must be reflected in the allocation of available funds. Beyond that, and in line with a realistic acceptance of adverse conditions, the publisher, agent and librarian must respond to the crisis both individually and collectively.

The publisher must respond to criticisms that journal prices have consistently outstripped the agreed rate of inflation. They must respond to the criticism that their prices are based on market considerations other than publishing and distribution costs. They must take action to remove the suspicion that certain titles are used as "cash-cows" because they are identified as "non-cancellable" (Courtney)(6). There is a need for a greater level of explanation of pricing policies. Differential pricing for the USA and Europe must be discussed more honestly; the level of resentment in this respect cannot be ignored and spills over into the area of agent-customer relations.

It is probably true that those outside publishing do not sufficiently understand the problems within. As Williamson (7) pointed out the publisher is faced with problems of steeply rising costs, in labour and materials; he launches a new title at considerable risk; accepts nil or low profits on a newly established title and operates in a highly competitive field.

As Boswood (8) pointed out the publisher has faced a market decline because of shrinking library budgets and the loss of the sales to individual researchers and academics who have increasingly relied on libraries to meet their needs. At the same time disciplines have been fragmenting with the supply side of research constantly expanding and spilling out a plethora of low-profit titles and a decline in subscriptions to the more general long-established titles. Williamson (9) has demonstrated that a specialist journal will typically take 5-7 years to recoup the initial investment and only then if the initial market analysis has been proved to be accurate. It may be that critics are wrong in suggesting that publishers are creating a high-profit, artificial market by launching a succession of new titles. Perhaps it is more accurate to argue that new specialist titles represent real research needs and genuine value to the reader.

But still the suspicions remain and will do so without vastly improved public relations and a greater openness of style. Evidence has to be forthcoming that the demands of shareholders are held in some sort of balance with those of consumers. Allowing for business confidentiality and reasonable profit margins should not prevent decent communication and explanation with which to inform the agent, the librarian, and ultimately, the consumer.

The agent can point to financial pressures brought about by reduced publishers' discounts and growing competition from major international companies. Stress could also be made of the great investment in new technology and the provision of increasing, costly customer services. But the variations in title pricing and the inconsistencies of charging between libraries, as recorded by Thornton and Bigger, must be eradicated.
Where modest variations of title charges for different libraries can be historically justified - and they can be - the reasons must be made plain.

Where the customer demands new and sophisticated services, involving heavy investment, again the cost element should be explained. As middleman, the agent must streamline his links with the publisher and yet maintain a close personal relationship with library customers. Profits must be generated, but prices located at the point of fairness.

While the librarians' role is uncomplicated by the need to generate profit his/her management of library finances and services will have to become more sophisticated and more closely bound up with financial realities. As indicated earlier, old loyalties and low-key attitudes to finance will no longer suffice. There will have to be a greater emphasis on cost efficiency and a recognition of market forces. It may be possible to switch a small but useful percentage of funding away from salaries back to materials, perhaps by making fuller use of public-private sector interplay. Without question librarians will have to attain new levels of monitoring of prices and expenditure so that adverse development can be picked up at an early stage. There will have to be a greater inclination to adopt a more commercial attitude by harder bargaining with the private sector, by practising competitive tendering, by monitoring and demanding a high level of efficiency from suppliers. The librarian must seek out commercial sector performance which strikes a happy balance between costs and efficiency. If necessary collective action should be taken to counter excessive charging and this implies a measure of organisation to achieve group monitoring of prices on a selective basis.

If any of this sounds too aggressive and destructive that is not the intention. The climate of the day may demand a critical appraisal of changing circumstances and the projection of radical solutions. Technology may intervene in a dramatic way - we have had forecasts of the end of libraries and direct links between the author and the end-user - but, assuming something less than these extremes, it seems inevitable that the publisher - agent - librarian relationships will be modified and pricing policies placed under a more severe scrutiny. If interests in general are to be protected and the needs of the reader or student to be recognized then the three elements involved in the world of the serial publication will have to communicate more effectively and develop a better understanding of each other's roles and financial capabilities. After exactly forty years operating in the world of libraries and journals I have seen only tentative efforts to bring the various elements together in a deeper understanding of each other's place in the scheme of things. Surely the climate is right for some correction to take place. The formation of bodies such as UKSG and NAG give me hope that the necessary fora are now in place and that the 1990's will see the development of closer working relationships and a new openness on pricing and charges which will enable correct choices to be made.

The salient point to remember is that the finance available to libraries is reducing in real terms and there is no prospect for improvement in the foreseeable future. Consequently, librarians are adopting harder attitudes and are as likely to read the Financial Times and Business supplements as tame professional literature. They are also aware of the future impact of new technology and are developing younger staff with a high level of competence in computer matters. This combination of awareness and hard-headedness will enable them to confront future economic problems with resourcefulness and realism backed by newly found analytical and statistical skills. Because they service the needs of a fairly conservative clientele librarians will wish to protect their printed journal collections, but not any any cost. Financial considerations and technological innovation will combine to weaken orthodoxy and modify the serials market as we know it at present. How extreme the changes will be must depend on how well the librarian, agent and publisher can work together to create a milieu characterized by efficient production and distribution, fair pricing, an equitable sharing of profit and the opportunity for libraries to husband their limited resources.

REFERENCES

(5) Aslib proceedings 37 (11/12): 437-452.