

Recent Pricing Policies of Journal Publishers

Potential Complications for Libraries and Agencies

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Cooperation between publisher, agent and librarian has deteriorated in recent years. There are pressures on all three parties involved in the distribution of scholarly journals to decrease the costs. But so far there have been no true efforts in this respect. Up to now, any adjustments have resulted in costs simply being transferred to another party. The international publishers have increased prices for science journals beyond the accepted rate of inflation. They have cut discounts for agents who, in turn, have established and increased service charges to librarians. The cost factor for librarians has furthermore been exacerbated by unfavourable exchange rates and decreases in the institutional budgets. In a situation difficult to cope with as such, practices have been introduced such as discriminatory pricing, two- or three-tier pricing structures, definition of the price on the basis of the strongest currency available, and/or negotiable prices with reductions for individual institutions. Publishers try to promote direct sales and invent new discount schemes that are in their interest but detrimental to agents and librarians alike. What is to be done? To ensure future cooperation of all parties concerned, we have to convince the international publishers to return to

a single local currency price worldwide, and to establish equitable and reasonable pricing patterns for the marketing of scholarly journals.

The current situation of the scholarly subscription business reminds me of a well-known play with three actors on stage: There is the publisher, there is the agent, and there is the librarian: all are totally dependent on each other. There are "No Exits". The scholarly journal publisher publishes exclusively for the librarian, the librarian has no other access to the information that he needs for the service to his constituency but through the publisher's product. The agent needs both the publisher and the purchaser and, as a middleman, he is trying to justify his existence by striving to offer a better service than he is receiving. Cooperation would seem the only way to survive for any of the three protagonists, yet the current diplomatic situation is at an all-time low. There are irritations, accusations, misunderstandings, clashes. Divergent interests that to some extent have always existed have turned into acute antagonism now that the financial situation has tightened. Under the prevailing economic pressures, the conflict necessarily focuses on prices.

At this time, the publisher seems to be the leading character in this drama, having managed to antagonise everyone else. In a manner of speaking, he is the troublemaker who is seen as the one who invents new pricing schemes, and who keeps testing the market with price increases of varying proportions. And he displays an amazing ingenuity in finding methods to come up with new revenue for himself. By necessity, he is in the role that alienates the other two parties who have learned in the past and now suspect again that the activities of their colleague run counter to their own interests. In this play, the agent is taken by surprise most of the time. He constantly has to adjust to the publisher's new



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schemes while trying to maintain his margin, and, at the same time, trying to secure the best possible price and service for his clients. The librarian, on the other hand, who has in the past accepted his fate and had merely been reacting, seems recently to have come to life. He is now, apparently, under severe economic pressures, he is losing patience, and he voices his long-time suspicions that the publisher, and possibly the agent as well, have been making an unrealistic profit off his institutional funds. He seems to be ready to stand up and to fight back, as he takes a new look at journal prices in the hope of finding some way of stretching the increasingly tighter budget.

What has brought about this rather dismal scenario? What has happened recently to create that rather unhappy situation? Surely, there are a number of contributing factors, but I want to concentrate on one aspect of recent publishing that I have witnessed over the last 25 years or so, which has been of particular relevance to the North American market, although the consequences are felt in Europe and the rest of the world as well. This is the startling internationalisation of the publishing business that has changed the world for all parties involved in the scholarly journal business. This change has, in turn, helped to erode established procedures and long-standing codes of ethics, and has also, I think, contributed significantly to the increase in prices that we have seen in the past few years.

What happened? The leading European science publishers have set up editorial offices in other countries and continents (most notably in North America), after the Americans had done the same thing in the other direction. But that alone, of course, did not really affect the American libraries. What did affect them were the efforts of these European publishers to use the physical presence on the North American market for direct distribution. Branches, independent companies and joint ventures were established by the larger publishers, while smaller publishers set up sole distributorships and agency arrangements. The usual argument presented to support these changes was that international representation is a must, and that it is a necessary gesture to please American editors and authors. In short, it is an unavoidable response to the requirements of the international scholarly world.

The argument was fine and partly justified, but it was only half of the truth. The other half had more to do with the desire to increase one's sales, and in this context it was the librarians' budget

that was the real target. The international publishers tried to capitalise on the mystique of the "national production" that seems to be so important in libraries' collection policies. Publishers are aware of the high priority that librarians have set for collecting their own national scholarly book and journal production. So they tried to impress the fact on the acquisitions and serials librarians that, for instance, a German science journal is not just a German periodical, but that it should also be considered by American librarians as one of their own. Hence the attraction that the New York imprint has attained for German and European publishers within the last 25 years. It became almost a fashion, and sometimes it looked as if the reputation of the publisher was at stake unless there was an office in New York or some other North American city, and that city was prominently displayed on the title page.

The idea developed with the argument that it was all for better service to the libraries. But was it really that much of an improvement of service for the American research library? We must bear in mind that the traditional acquisition procedures of the American research library were largely based on a "national" buying pattern. The research librarians were accustomed to buying in the country of origin, and, for this purpose, they had to be in a position to identify the country of origin of the publications they wanted to purchase. International publishing now tried its best to obscure the situation for the librarian, by issuing titles with multiple imprints, by setting up unrecognisable affiliations in other countries, and by placing different ISBNs in the same publication. There were now books and journals that could not be clearly identified as to whether they were of Dutch, Scandinavian, British, German or American origin. All of this complicated acquisition procedures enormously. New selection procedures and controls had to be established by the librarian and the agent alike. For instance, the whole methodology of handling approval plans had to be changed and collection building by this method has become vastly more complicated for the library community. This blurring of the actual place of publication was inevitably more problematic for the book business. The subscription business had been more international in the first place, and we are all aware how much better the ISSN concept has worked out than has the ISBN.

But with these complications there were related consequences here as well: With some justification, it can be argued that international

journal publishing almost inevitably had to lead to price increases. The mechanics and implementation of such broad-based publishing turned out to be a costly venture. New offices had to be set up, new staff hired, new sales forces sent out, different and usually more costly ways of distribution were designed. Additional cost factors then required additional business. When it was not available in the traditional market situation, the European publishers turned to selling to American libraries directly, offering discounts in order to shift the library business to their own accounts, thereby inviting the clash with the exporters situated in their own country and with the importing agencies located in the country of destination. In order to do this, the agents' activities needed to be copied and subscription agent procedures needed to be introduced, although they were really alien to the publishers' traditional business and could only be achieved at further additional costs. So it seemed no small wonder, then, that journal prices increased beyond traditional expectations, and percentages that had been accepted as realistic and justifiable in the past were no longer considered adequate.

Consequently, it then appeared that further additional revenue was needed or at least thought desirable, so some of the international publishers went a step further and decided that some librarians were in a position to pay a higher price for their journals. Two- and three-tier pricing structures were invented - a system that the librarians who were put at the disadvantage promptly and justifiably diagnosed as "discriminatory pricing". British publishers made headlines in this respect in North America, while US publishers in turn did so in Europe.

Now, the concept of different prices for the same journal was not exactly a new invention. The methodology was already available. There had been different journal prices set for different groups of subscribers in the past with the personal vs the institutional subscription, with special arrangements for certain groups of subscribers such as students or medical doctors, or with special arrangements through memberships or societies. All of these special arrangements had one thing in common. They meant discrimination against the institutional customer. The system only needed to be refined. Now it was discrimination against the institutional customer of certain countries, or "pricing by geography". The official justifications given were the volatile exchange rates and the fact that certain markets were supposedly more expensive and labour-intensive to look after. Of course, all

sorts of improvements in service were also claimed as further justification, but the suspicion remained that it was basically the so-called rich countries that were singled out for this practice, and that the idea was to go as far as the respective market would bear. It was indicative that such two-tier arrangements were predominantly created for libraries in North America, in the Federal Republic of Germany, and in Japan.

This new scheme could only be enforced after the publishers had obtained perfect control over the destination of their journals, after the agents, years ago, in order to save on processing and staff, had given up their reshipment services and accepted the publishers' offer to mail the journal issues for them to their final destinations. Of course, this was done at a price and it gave a double advantage to the publishers. The discounts to agents were reduced, and the publishers' grasp of the market strengthened. But this method of control was about to fail when agents, under pressure, remembered the old reshipment services that, at least in Europe, had always been part of the traditional professional pattern of distribution. By reshipping the issues, the agents hoped that they could make the same advantageous prices which were available to them in their own country, available to their customers in the countries that were discriminated against. So attempts were made to circumvent the publishers' controls, on the expectation that the journals mailed to Godalming, the Hague, Lisse or Wiesbaden would continue to be charged at the respective attractive home rate. But the publishers were bound to look through this device. British publishers threatened to discontinue the service to the agents altogether unless the destination of the journal was revealed and the price assigned to the country in question accepted. When the leading German publisher in the field of chemistry failed to make their main agent an accomplice in their scheme, they closed the US market. This meant that subscribers located in one country or continent, or agents serving them, were forced to buy from the local office of the publisher, at prices determined for that particular country. So what we saw then was the dictation of terms for the dealer, and the dictation of prices for the librarian, with the result that the librarians ended up with higher prices and the agents with reduced discounts.

It is truly amazing that the international publishers who chose to use that method of differential pricing would take the risk of destroying the credibility of their pricing policies when they eliminated the world price for their

journals and adopted a policy of varying prices depending on the location and the country of the subscribing institution. Particularly since, no matter which side they favoured, ill-feelings were bound to be caused on at least one side of the spectrum: They either had American librarians up in arms, or they made European librarians complain and cry "discrimination".

So yet another version of discriminatory pricing was invented, when it was not directed against certain countries or institutions any longer, but was given an even wider range of application and consequently yielded even more substantial additional revenue to the publisher. Last year, the British giant in journal publishing began defining the prices of their journals in German marks, so that all subscriptions but the ones destined for the UK were priced in German marks and translated into other currencies on the basis of their relationship to the mark. What is the message? Does this mean that we shall in future have to cope with a new mechanism of publishers defining journal prices by the strongest currency of the year? After that, the only question is: What will journal publishers think of next?

By now, there have been the first instances of what we might call negotiable pricing. A famous Swiss medical publisher offered major discounts and price reductions to libraries after they had cancelled his journals in the wake of major budgetary constraints. Admittedly, such offers were meant to help the institution and were limited to a certain period of time. But again, what is the message conveyed to the librarian? Cancel first and then negotiate the re-institution of the journal?

For the agents, the last few years have been marked by the fact that discounts were consistently reduced by the leading European publishers. Either there was a plain reduction in percentages, or there were handling charges introduced or stepped up. In one case, discounts were cut for European agents whenever they serve North American institutions, so we do not only have pricing, but also discounting "by geography"! Another publisher introduced a ceiling for the discount, so-to-say a cap on the discount, when a journal is priced beyond a certain amount. This meant cutting the discount for the higher-priced journals and further jeopardizing the delicate balance between the publisher's discount and the service charge to the library that the agents have to maintain for the mix of titles serviced to their institutional customers. By reducing the revenue of the agents

the publishers force them either to reduce their range of services or to increase their service charges to the institution, in either case a move that works to the disadvantage of the librarian.

Let me finish by attempting a summary of the phenomena that we have witnessed in the context of journal pricing in the last couple of years. The international publishing houses enjoy to the fullest the advantages of the flexibility and versatility that they have created for themselves by their presence in various countries. They now have the international contacts with authors, agents, librarians; they now have the opportunity to switch production and distribution from one country to another in line with differing cost factors or tax rates. But they seem to do their best to deprive their customers, libraries as well as the book trade, of the same kind of privileges, when librarians and agents want to use their own international contacts to a similar advantage. The international publisher makes good use of the international mobility when it comes to producing and selling, whereas the librarian and the agent are both refused the same flexibility when it comes to buying or distributing the same product of these publishers.

But closing of markets or their manipulation invariably cause irritations felt by customers, which have resulted in attempts at cancelling some titles and cooperative buying for others. Yet even with these signals of frustration, there are publishers who are willing to exploit the market for short-term gains at the expense of long-term alienation.

The legal framework of the international trade has not been able to cope with new developing practices, and those who have chosen to use discriminatory pricing schemes cannot be legally prevented from doing so. And with discriminatory pricing, we have seen that the international mobility of the publisher and that of the agent or the librarian tend to be mutually exclusive. It seems to no longer be a cooperative arrangement in the community of scholars, but rather a struggle between protagonist and antagonist, a one-sided power struggle in which one of our three actors is setting the rules and giving the orders while the other two are expected to comply with the measures taken. In our society we all agree that the producer has the prerogative of deciding what to produce and at which price to sell. Nobody minds that the publisher traditionally produces the journal and the book and determines that price for the librarian as well as the discount for the trade, not to forget the

cancellation deadlines and the time frame within which claims will be honoured. So far, so good, or not so good, depending on the individual practice of the publisher concerned. But that the same publisher should also be able to decide which country or currency should subsidise the subscriptions of the other, and which librarian can afford to pay the one price and which librarian should be granted a preferential arrangement, that I am not sure we should allow to happen.

I think we should agree to a move back to a single local currency price worldwide, at which each journal is offered to institutions regardless of where they are located, with the price reflecting the prevailing currency exchange rate of the day. It would also help if every party serving the library community, publisher and agent alike, would take another hard look at their figures and try to find out whether prices really have to be as high as we have seen them move up recently. And, particularly in view of national inflation rates of

close to zero percent, the question should be allowed whether regular annual price increases of subscriptions really have to be accepted as a law of nature as the publishers have been so successful in making everyone believe. We might be able to recreate a climate in which the publisher could regain confidence and credibility for their pricing policies, and in which the agents could concentrate on what they are really supposed to do, and that is to improve their services to librarians rather than to have to engage in mathematical artifices to define percentages of service charges in response to constantly diminishing discounts. And should the publishers find their way back to consistent and equitable pricing and discount patterns, librarians would have a chance to cope with cost projections and funding requirements again and should, eventually, be in a situation again in which acquisition of scholarly journals can once more be considered an economically sound and reasonable proposition.