

Pricing For Europe An Agent's View

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I would like to open my speech by stressing that I am speaking as a representative of an established and successful subscription agent from a small country in Northern Europe, Sweden, which has eight and a half million inhabitants, and I feel somewhat of an observer in the European Serials Market, somewhat on the sidelines. So, many of my statements and comparisons will be from a Scandinavian perspective.

These are the main topics I will be covering today:

The Agent's Situation In General

If you like being pulled by two groups on either side, making substantial, and constantly new and growing demands, which often seem to be irreconcilable; if you are flexible, don't hold grudges, creative, and interested in everything that is new, everything that this information society is opening up for us - then you are fit for the role of subscription agent.

Getting to know one's customers, adapting one's routines to their wishes, learning from them, giving them the best possible service which sometimes squeezes profit margins to a breaking point - these tasks are self-evident for an agent dealing with libraries.

That we agents in turn are not treated the same way as I just described when we are the *clients* of *publishers* has become a sad fact of life.

And that is *in spite of the fact* that it is via agents that 80% of all scholarly periodicals are sold!

In this speech I am calling for a changed attitude on the part of the publishers. I am appealing for cooperation instead of constantly new stratagems.

In my opinion, the subscription business must be seen as a collaboration of three parties: the librarian, the agent, and the publisher.

About The Agent's Situation

A subscription agent is in a remarkable situation as the go-between for the libraries and the publishers.

Please allow me to quote an excellent folder from the Association of Subscription Agents, published last year and distributed to major publishers the world over. I could not have said it better or more concisely.

What does the agent do for:

The Librarians

- provide full, cost-effective service for journal procurement, irrespective of country or language
- simplify foreign currency payments in handling journal acquisition worldwide
- help collection development by providing back issues and microform services
- easy, fast communication through on-line and electronic mail services
- the librarian is kept informed of all new developments and changes
- provide special reports to assist in budgeting

It is encouraging that these services are appreciated by a growing number of libraries, which is demonstrated by a statement by Mr. Lamble, a librarian in the UK. He said,

"A subscription agent is indispensable to the library system no matter what publishers might say."

What does the agent do for:

The Publishers

- collect new and renewal orders
- line up subscriptions to a common expiry date
- eliminate the need for the publisher to send out renewal reminders, thus saving money

- collect payment, often from difficult markets, where we take the credit risk
- pay in advance providing assured income for a full year ahead
- provide machine readable orders
- communicate through electronic mail
- gather market information - the local agent has detailed knowledge of the market
- administer and monitor claims
- eliminate unnecessary claims
- promote publishers' lists and especially new journals
- provide up to date bibliographic and price information through mailshots, advertisements, catalogues, etc.

And it is also pleasing that there are some voices from among the publishers which express genuine appreciation for the contribution of agents. For example, Mr. de Kemp, of Springer Verlag, said, "We as publisher regard the work of the agents as essential and support them with a reasonable agent's discount. We could not imagine our work without them."

What Does all this Cost the Agent?

For all of this, the agent must develop routines and invest in expensive computer technology adapted to *both* the libraries and publishers.

In addition, the agent trains versatile, service-minded staff with a talent for languages to serve customers, as well as retaining representatives who visit libraries and participate in conferences and professional gatherings or organize exhibitions.

Conclusion

Both sides seem to need us. Both sides admit that a serials industry without agents would be chaos. But both sides also seem to believe that we agents can live without profit margins, surviving on our love for the printed word.

Who is Going to Pay for This?

Naturally, both the librarians and the publishers, in fair proportions.

The Consequences of "No Agents"

Let us imagine that all subscription agents closed down their operations. This would mean that of all professional periodical subscriptions in the world, more than 80% would become the sole

responsibility of the librarians themselves and the publishers' drastically reduced customer service departments.

I believe we would see pandemonium on both fronts!

The Libraries would have to employ more staff, dealing with a number of languages, specializing in the purchasing routines for journals, as well as the other tasks I mentioned earlier.

The Publishers would in turn need to start up an employee intensive customer service, greatly expanded. And all of us know that most have just finished cutting down to bare essentials.

To meet the demands of the libraries, the publishers must not only learn about the activities of the libraries but also develop much more versatile computer systems than the user "unfriendly" ones of today.

We must agree on the division of roles with an equitable distribution of costs and profit. Today publishers are not bearing their fair share of the costs!

Publishers' Pricing Policy Price Versus Inflation - Facts

According to the June 1990 issue of the OECD's Economic Outlook, inflation in member countries was around 4.5% during 1988 and 1989 and is expected to remain there during 1990.

These are examples from a few countries during the period June 89 to June 90.

| | |
|-------------------|-------|
| The United States | 5.0 % |
| West Germany | 3.0 % |
| Japan | 2.4 % |
| The Netherlands | 1.0 % |
| Sweden | 6.6 % |

If we compare the inflation rate with Blackwell's notable survey of periodical prices in 1988 and 1989, we find that the percentage rise of titles from:

| | 1988 | 1989 |
|-------------------|---------|---------|
| Great Britain was | 10.77 % | 12.68 % |
| U.S. and Canada | 7.96 % | 14.46 % |
| Other countries | 2.35 % | 9.49 % |

Looking at preliminary statistics we and our Swedish colleagues have collected, we noted price rises on imported titles from publishers in 1990 to date as shown here.

| | |
|-------------------|--------|
| Great Britain | 20.2 % |
| The Netherlands | 18.2 % |
| West Germany | 9.8 % |
| The United States | 18.5 % |
| Sweden | 9.1 % |

Isn't it remarkable what differences there are in the publisher's price increases versus inflation.

Another thing that is striking is, that when the two of us, large agents in Sweden, compared notes we came to the same conclusion as Blackwell, that all of the interesting, "trendy" subjects, such as Economics, Computer Science and Electronics, Management, Chemistry, Physics, and Medicine, as usual were at the top of the list, with price rises of 10-20% a year.

Why is it more expensive for a publisher to produce a scientific journal in the field of chemistry than in mathematics and statistics, where price rises were half as large. All of those are typically areas of little demand for advertising. Are the authors that much more expensive? Could it be that the publishers charge the maximum price in areas where they believe that there is money to be made?

On Today's Pricing Speculation - Thoughts Publishers' Tactics

Over the years agents and librarians have become used to publishers coming up with the most amazing methods for billing which influences prices.

- A publisher bills in the strongest currency and not its own country's currency.
- A publisher can apply institutional rates, individual rates, doctor and student rates, non-profit and profit rates, members' rates, and so on.
- "Two to three stage pricing" which means that the publisher decides from time to time which institutions in which countries will pay which prices - a practice that should be seen as pricing according to geography. Their response is that certain markets are specially difficult and time consuming to sell and service. Some countries naturally feel discriminated against.
- The publishers offer various discount rates and set a limit to them. Expensive titles, less discount!
- A few years ago a certain publisher tried to create extra high institutional rates, for

institutions which wanted the right to copy articles from the journals.

- For countries in the European Community, special prices have been set which lie between the domestic price and foreign price. There are already a number of examples of such pricing. The difference between the EC and overseas prices can be anywhere from 4 to 15%! What happens with non-EC countries, then? And here I am thinking chiefly of East European countries, which so badly need Western information at the same time as they are experiencing great economic difficulty. Should temporary prices be created - for humanitarian reasons - for these countries? For how long? When would this charitable effort cease, and who would decide? Who knows if these countries have the resources to pay the full price?

What we see here is that pricing in this entire industry is dominated by a mainly uncooperative attitude on the part of the publishers.

Of course, it is the producer of the product - in this case, the publishers - that should set its price. Naturally, that price should provide a reasonable profit. A fair discount for the agent as go-between, dealer, marketer, and local customer service representative should be *included* in this price.

The situation of publishers also retaining the right to payment in advance, only selling titles on the basis of calendar year, refusing to accept cancellations, saving themselves the costs of customer service, and letting a data processing company take care of the subscription service - though it is no longer "service", but only a distribution machine - the market has been forced to surrender and accept all of this.

But, pricing in the strongest currency regardless of the country of the subscriber or the purchasing power of the libraries is unethical.

My View

The international publishers have lost much of their status, prestige, and credibility with respect to the libraries by handling pricing in this remarkable way.

It is essential that the publishers return to charging customers in *one currency* worldwide, at *one foreign price* worldwide, with reservations for differences in postage, of course.

It is essential that the publishers review their pricing policies and adapt any price rises in the future to inflation. It is also essential for the

publishers to value the professionalism of the agents and their attempts to be the local representative for every foreign as well as domestic publisher on their home ground and honour this with a reasonable discount, the same for all. Is it necessary for us as agents to hold discussions with 10,000 or so publishers all over the world in order to individually negotiate discounts?

A reasonable discount would make it possible for agents to reduce handling charges and such fees, which at present are often the only mark-up we, the agents, charge the customer.

Publisher's Price Guiding or Misguiding

I would also like to point out another complication of pricing which we as agents experience.

In almost every periodical, publishers state their subscription price. Often these are domestic prices, which has led to many misunderstandings by librarians in other countries. Postage to foreign countries, optional air freight, and all of the other things which might be added for a foreign subscriber are not sufficiently spelled out. We are working in an industry, if you will, where the consumer is exactly but incompletely informed about what the product costs. In what other business would a dealer be locked into a definitive price in this manner? In some countries, perhaps bookshops. But there we are talking about completely different, and more generous, discounts.

And that is what I am driving at. Our customers assume:

that the price stated in the journal is the price they will be charged

but

that the agent naturally will have already received fair compensation.

As a consumer I have tried to get information about profit margins of dealers in other businesses. Is there anyone here who believes that there is some other industry where businesses are satisfied with a 3-10% discount from the supplier?

We are most probably agreed that in almost every branch of business - whether it be clothing, electrical appliances, or whatever - as a rule, they work with a mark up of 30-70%.

The objection which is natural here is that these businesses and also bookshops maintain stock and thus have many more expenses than do agents. Correct. But what industry knows at the beginning of the year the number of each product that is going to sell that year, which the publishers do, as they have covered their positions by limiting periods to the calendar year, by refusing cancellations, and so on? And what producers demand or get payment in advance for an entire year's production?

Vat On Journals and the Common Market

At present the value-added taxes levied on periodicals vary throughout Europe.

The forced introduction of VAT in Spain, for example, has led to a 22% decrease in the purchase of printed materials in one year alone.

If VAT were levied in all of the member states of the EC, leading - in the case of some countries - to a dramatic rise in consumer prices, it is obvious that this together with the publishers' constantly rising prices would have devastating consequences.

Facts And Speculation on Continued Drastic Price Increases

For the libraries

- libraries would cut back even more on their procurement and concentrate on either the most important or the most ordinary titles. Who would there then be to buy the new, "niche titles"?
- libraries would join together, as they have already done in Scandinavia, and designate one library as the specialist in charge, which would then monitor a certain area. This would entail, in the most dire circumstances, a single copy of a niche title for all of Sweden which would be photocopied as required by the other libraries. The title would then become unprofitable for the publisher and the price would go up or the journal folded.
- libraries will stop collecting volumes and instead concentrate on bibliographic searches for articles on data bases or CD-ROMs, electronic journals, new technology in general.
- libraries will concentrate even more on alternative methods for monitoring information and will therefore invest in

technical equipment rather than books and periodicals.

A credible scenario for the publisher would then be that

- publishers would not find it possible to publish new titles at all and would probably be forced to work very small niches.
- circulation of serials would become so small that advertisers would defect, and they are clearly the ones paying for most of the cost of publishing.
- the future would be for the electronic journal which is transmitted directly to each subscriber's PC - and not the whole journal, but only those subjects which have been ordered based on an SDI profile.
- it might be the end for the scholarly publishers in the future as they become redundant.
- It is possible that henceforth there will be very specialized data base hosts who are in turn the sole proprietors of certain authors' articles, which are only accessible through queries. This could be the end of the traditional scientific journal printed on paper.

Possible Expanded Need for Professional Agents in the Future

As I tried to demonstrate in the beginning of my presentation, over the past few decades subscription agents have accommodated the publishers and, perhaps even more, the libraries.

Now a new generation of librarians has entered this world, carrying knowledge and skills for finding new ways and paths to computerization. There is, however, a risk that they will be forced to economize by cutting back on the libraries' purchases of books and periodicals in order to finance a part of the comprehensive computerization to come in the 1990s.

The future will show if traditional management and lending of serials and books to students and scientists need develop into desktop access at self-chosen times, that is, moving away from the collection mentality.

Downloading information from a large, central store should be considerably more efficient and profitable. It is here that the technical as well as customer-oriented skills of the agent enter the picture, as much can be done through the agents' own, well developed computer systems.

The publishers should seek out cooperative ventures with agents that are already prepared to

market narrowly focused speciality products to customer segments well known to the agents.

And here I have returned to my introductory thesis:

Should we as agents continue to work for the publishers for a discount from nothing to ten percent? Certainly not!

Presumably, developments within university and research libraries will diverge from those within company and public libraries.

At the latter, the traditional reader, who wants to have his copy of a certain journal in his hands, will be around for a very long time.

On the other hand, the development and future of purely scientific titles in printed form on paper will be much more complicated and uncertain for publishers than that of dailies, leisure and management titles. This has been shown in an excellent new study by Peter Muzik: *DIE MEDIENMULTIS*, from Orac Verlag in Vienna.

To this picture from *Les Miserable* I would like to warn: Let not this be the picture of our scientific customers.

If the publishers would give more thought to their pricing policies, their business would survive longer - of that I am quite certain. □