

ELECTRONIC JOURNALS PRICING - STILL IN THE MELTING POT?

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A survey of publishers' views on the pricing of electronic journals reveals the differing approaches which are reflected in the variety of pricing models being used. The results of continuing experimentation may produce models which are more acceptable to librarians than the current ones.

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My paper is entitled '*Electronic Journals Pricing - Still in the Melting Pot?*'. I should start by saying that it is not concerned with the economics of electronic journal publishing, for example, whether it is cheaper to publish journals in electronic format than print. Rather it is an observation on the range of pricing options that are being used by publishers for electronic journals, mainly from the viewpoint of a subscription agent involved in handling a variety of electronic and print titles. It is also based on our experience at Swets as a partner in the Managing Agent role for NESLI, the UK National Electronic Site Licence Initiative where we have been involved in discussing pricing proposals with publishers. I am also concentrating on Web-based full text journals, very often the electronic versions of existing peer reviewed scholarly print journals, rather than full text titles in CD-ROM collections or in other databases.

The topic is highly relevant as pricing is an area in which there is considerable experimentation at present by publishers; it is constantly changing and a wide range of models have been explored. Pricing of electronic journals is considerably more complex than traditional print since the format allows a number of different options to be offered by publishers. Overall, I believe that the area of pricing and the business models used in selling electronic scholarly information present publishers with a number of very significant challenges. Libraries and other subscribers, as well as suppliers and subscription agents, face the same challenges.

Background

Firstly some general observations and background. The Internet and electronic publishing developments provide an opportunity for publishers to re-think how they 'package' and disseminate scholarly information and to explore new pricing and charging

models. It also offers opportunities to broaden the nature and functionality of the journal, for example through linking to related information and the inclusion of multimedia features. In considering how to price e-journals, publishers naturally wish to maintain their existing position in the market and the revenues they have come to expect from print sales. Indeed a number would see it as an opportunity to increase revenue through the new functionality that the electronic journal may be able to offer and the bundling of print and electronic versions. Many will wish to recover the investment they have made in recent years in developing electronic versions of their journals for users.

However, the economic climate does not allow for opportunities for significant revenue increases for publishers. Libraries continue to experience severe budget restrictions and face a crisis with regard to the maintenance of their journal collections. Additionally, libraries are often not ready to acquire the electronic-only versions of titles and cancel print, at least until progress has been made with regard to long term archiving. Libraries are also making known to publishers their requirements with regard to e-journals: ownership of data, how they would like to use the electronic information (e.g. for InterLibrary Loans) and their views on licensing. New 'competitors' are emerging for publishers, as academic institutions and the library community itself establish new publishing alternatives, such as ARL's SPARC initiative and Stanford University's HighWire Press.

Pricing models in use

What are some of the models being used by publishers for pricing electronic journals? The most common in use at present are:

- ✦ print and electronic combined - at one price. Here the price for the electronic version is not shown separately and electronic is not available separately;
- ✦ print and electronic combined - but with a visible surcharge for the electronic version, for example 10%, 20%. It is optional whether the electronic version is taken;
- ✦ the electronic version available on its own, often at the same price as the print or possibly at a lower price.

A publisher might use a 90% - 100% - 110% formula for example, in which the electronic-only version is 90% of print, 100% represents the print and the 110% is for both versions together.

Other models include:

- ✦ a package of all the electronic titles of the publisher - with the print version being optional;
- ✦ pricing based on numbers of full time staff, concurrent users, Internet IP ranges, workstations, etc;
- ✦ pricing for consortia (see later);
- ✦ prices for individual articles;
- ✦ extra fees for software or platforms.

Survey of pricing models

At Swets we recently undertook a fairly simple survey of the pricing conditions of a number of scholarly publishers, based in Europe and the US. This was not meant to be an exhaustive or scientific survey but more an e-mail request to some 57 publishers, asking for information on their approach to pricing and related issues using 13 questions. We received replies from 37 publishers.

Sixty-two percent of the respondents stated that they have a single combined price for print and electronic. Amongst those who made a separate surcharge for electronic, the percentage surcharge ranged between 8% and 65%. The most common was 15 to 20%. Fifty percent of the publishers offered their electronic versions separately, with the pricing between 65% and 150% of the print price. The most common were 90% and 100% of print. Twenty-three percent charge less than for print. Thirty percent of the publishers indicated that they had changed their pricing policy for 1999, reflecting the experimentation taking place.

Pricing for consortia

Library consortia are growing worldwide and increasingly approaching journal publishers for consortia-based pricing for e-journal access for their members. A number of major publishers have developed consortia pricing policies as a result. Some of the common elements of these policies include:

- ✦ a surcharge on the value of the print holdings gives electronic access by all members to all the titles taken by the consortium and

- sometime access to **all** the titles of the publisher;
- ♦ the expenditure on print titles is used to calculate the 'base' price, on which the surcharge is calculated;
 - ♦ often the agreements are for three years, on the basis that the publisher guarantees a maximum annual price increase for the titles;
 - ♦ some publishers will grant a discount on prices, related to numbers of libraries in the consortia;
 - ♦ the base price may be for the electronic version only, with print as an optional purchase, usually at significant discounts.

In our survey, 40% of the publishers stated that they now have a consortium policy. Whilst for some the policy may fairly established for many the pricing for consortia is negotiated individually and agreements may be unique to a specific consortium.

Pay-per-view

We also asked publishers if they offered a 'pay-per-view' option ie did they sell access to individual articles. Whilst paper document delivery has not developed recently on the scale that some observers had earlier anticipated, the ability now to offer instant access for a price to electronic versions of individual articles means that a number of publishers will be exploring this as an option, aiming the service particularly at those users who may never take an annual subscription to the journal. Thirty seven percent of our respondents indicated that they offer 'pay-per-view'. Prices per article ranged from \$13.60 to \$43, with the most common being in the \$16-\$20 range. Of those not currently offering this, 14 of the publishers indicated that they plan to or are considering doing so.

An example of an economic price for pay per view is the US journal *Science Online* which charges \$5 per article per day (and for \$10 users can have access to the *Science Online* site for the day). This was launched in December and the service is being well used. It is 'open for business' any time of the day and is an automated self service arrangement thus providing a service at little cost for *Science* for the occasional user.

It will be interesting to see the extent to which

electronic pay-per-view of articles will grow in the coming years, what the demand may be and how many publishers begin to offer this option. There are issues for libraries and institutions in the area of pay-per-view, for example with regard to decentralised budgets and the impact on interlibrary loans.

What do you get?

What do subscribers get for their money when buying an electronic journal? Internet journals offer benefits over print such as 24 hour availability, reduction in storage space, multiple use. Sometimes a subscription to an electronic journal also includes access to earlier years or to related secondary information such as tables of contents and abstracts of other titles. Users can generally browse, search and view the articles and download for their own personal use. But there are other areas for consideration. In our survey we asked publishers about their policies with regard to interlibrary loans (ILL), access after cancellation of the subscription and arrangements for archive copies.

Fifty three percent of respondents indicated that they allow use of their electronic full texts for paper ILL; 8% allowed it for electronic 'ILL'; 43% indicated that the electronic information could be used for course packs, 59% said that subscribers could have electronic access to the data they had subscribed to, after cancellation of their subscription.

Fifty percent of the publishers stated that they had a policy for archiving. Considering the implications of archiving and our one simple question on this topic, the confirmation of a formal 'policy' may be doubtful, as many publishers supplemented their answer with comments, indicating areas they were either exploring or involved in. For example, a number of the learned society publishers stated that they were committed to long-term online access; a number of publishers were working with OCLC or JSTOR; others stated that they were committed to it as long as they were in business; some publishers are working with international or national initiatives or with national libraries (e.g. in The Netherlands); others indicated that they were storing the data in readiness for an eventual solution, or offered subscribers CD-ROMs as archives.

Variety of models

Why do publishers work with a variety of different pricing models for electronic journals? One reason is of course that many are experimenting in order to find a solution suitable for their own circumstances or publishing approach. Some give free access to the electronic versions as part of the paid print subscription in order to encourage use. Others may feel that 'free' access devalues the considerable features of the electronic version, so therefore apply an extra surcharge. Similarly a publisher's policy may be to apply a surcharge in order to recover the investment in creating their electronic publishing programme. The nature of the publisher, or copyright owner - for example a learned society - may influence the approach used to price the electronic content. Market forces also play a part in that a high surcharge may result in no take-up of the electronic journal. And within consortia, members are often seeking electronic access (the so called 'cross access') to titles taken by other members, and hence the pricing from publishers reflects this.

Views of libraries

What do libraries think of publishers' pricing policies and which issues are important for them? In our experience of talking to librarians about e-journals a number of factors arise. Commitment to publishers' three-year agreements are unattractive because of uncertainty of budgets and the need to have a flexible approach to annual renewal decisions; libraries often consider that electronic surcharges are high; there is a reluctance to pay surcharges where libraries feel there is little added value or if they feel they are paying for publishers' investment costs. Libraries are also seeking choice with regard to format of journal versions; they are unhappy with taking print and electronic bundles; and they would like perpetual access to electronic versions - access to what they feel they may have paid for. Within consortia arrangements many like the idea of cross access, but there are mixed views on the benefits of having to take all electronic titles of a publisher for a single price.

VAT (value added tax) is an important consideration with regard to electronic journals. Throughout many European countries VAT is applied to journals (print and electronic) and the

rates vary, but it is generally the case that VAT on electronic publications is higher than on print. In the UK there is no VAT on print, so the impact of VAT on electronic titles is a particular problem for libraries in sectors such as higher education where many institutions are unable to reclaim it.

If the electronic version of a journal is included in the overall subscription price, most publishers do not apply VAT or apply a very low amount. If there is a separate surcharge for the electronic version then generally the surcharge attracts VAT. There are still a number of grey areas relating to the whole issue of VAT on electronic publications and bodies such as the Association of Subscription Agents plan to explore the area further in order to clarify issues for the benefit of all parties involved.

Other approaches to pricing

What are the other approaches that could be used to price electronic content in the scholarly area? I would like to mention a couple. At the University of Michigan in the US, the PEAK experiment is looking into a number of pricing models. This is in association with Elsevier Science whose journals are being used in the research by a number of libraries participating in the project. PEAK (Pricing Electronic Access to Knowledge) is considering three models: one permits a university to purchase electronic subscriptions to the full text journals; a second choice allows a university to order articles as needed and the third is referred to as 'generalised' subscriptions. Under the latter model libraries pay for bundles of tokens at \$4.56 each token. This allows users to view articles from the complete PEAK database, ie not simply within one journal title. New tokens can be purchased as needed. The article accessed as a result of using the token is then available to other users at the institution at no extra charge. More information on PEAK can be found at www.lib.umich.edu/libhome/peak/, and the results of the project will shortly be made available.

A further approach is to charge authors of articles rather than libraries and users and a recent example of this is the electronic journal *New Journal of Physics*, published jointly by the Institute of Physics Publishing and the Deutsche Physikalische Gesellschaft, which was launched in 1998. Submissions need to meet certain criteria to

be published, all articles are peer reviewed and the title is covered in the major abstracting and indexing service. Authors are charged \$500 per article (with a discount to members of the IOP and the Deutsche Physikalische Gesellschaft). In March this year, when this paper was being prepared, 6 papers had been accepted for publication, a number rejected and the IOPP anticipated that some fifty would be published in 1999. See: www.njp.org

NESLI

Within NESLI, the National Electronic Site Licence Initiative, of which Swets is a partner in the role of Managing Agent, a variety of different publishers' pricing models are considered. No standard model is proposed because of the variety of approaches used by different publishers. Examples of models used by participating publishers include: a single standard annual fee for each university which then gives access to the electronic versions of the bulk of the publisher's journals, irrespective of the number of print titles taken by the institution (institutions need to keep their level of print expenditure to qualify).

A further example is a single standard price for the publisher's complete list. Discount is then given to all sites based on the numbers of institutions signing up under the NESLI agreement.

Trends

Put simply, the position we are at in the e-pricing 'evolution' at present is that the electronic journal is in general a replica of the print, and is priced with the print version or separately; consortia pricing is 'taking off' fairly substantially, whilst pay-per-view is on the threshold of a possible 'take-off' - there is growing interest but uncertainty about the speed and scale at which it might develop. The 'real' electronic journal, where

the electronic is the main product with print optional, and with a range of added functionalities and features, is still to come.

How will electronic journal pricing develop in future? Experimentation will continue for the time being as publishers explore a variety of options. Pricing may become increasingly customised for institutions and consortia, based on willingness and ability to pay and the features that are sought by the customer. Consortia will continue to grow and more publishers will develop policies to meet these requirements. There is likely to be an increase in pay-per-view, since the technology is there to allow publishers to experiment and to look for new sources of revenue, but some publishers feel that this will always be a marginal area of activity for publishers. Multinational pharmaceutical companies are increasingly seeking single global prices and licences for electronic content across their sites worldwide and avoiding pricing from publishers that is based on numbers of addresses or users.

Electronic journals are undoubtedly here to stay and to grow. In due course the electronic version of a journal will become the dominant product with print as an optional extra at a price. We shall no doubt see continuing experiments with new models, such as the generalised subscription referred to under the PEAK experiment and 'bundles' of subject-related titles. Alternative electronic publishing systems will no doubt grow, but it is too early to gauge the scale of these for the long term and the impact on commercial publishers. As the extent of electronic backfiles grows, publishers' prices will reflect the inclusion or not of this backdata. Handling and evaluating the various pricing models used for electronic content, and the issues that go with this, will increasingly be a challenge both for libraries and subscribers and also for subscription agents and other intermediaries in meeting customer needs.