Some Hidden Elements of Serials Pricing

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Publishers are faced with a number of problems when trying to set their prices. This article examines the influence of the editors, and how the publisher endeavours to control costs. It is an expanded version of a contribution to the Newsletter on Serials Pricing Issues, 165.

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Despite all the publicity serials pricing has received over the last five years, there is still a lack of understanding of the complexity faced by publishers when setting prices. In an ideal world, journal editors, authors, and sponsors would give the publisher notice of changes they desire in advance so that any increase in cost could be factored into the prices charged. But this is definitely not an ideal world. Publishers are frequently faced with last-minute demands for changes after the prices for the next volume have been set. For example, here are some of the types of requests publishers receive during the year:

1. The editor wants to double the amount of editorial support they currently get because their research institute will no longer support any of the costs of the editorial office.
2. The journal's sponsor has decided to drop the journal because the sponsor's research focus has changed. All the costs of the journal must henceforth be financed completely from the journal's own revenues without any subsidy from the sponsor.
3. The editor has a two-year backlog of accepted manuscripts and needs to increase pages by 50% beginning with the next issue, or increase the number of issues published in the next volume. The publisher must address this problem quickly in order to discourage a competitive journal from starting.
4. The editor is late submitting the last issue of the fiscal year to the publisher, so the publisher has one less issue's worth of income to cover the operating costs of the journal.
5. The editor demands a royalty, or an increase in royalty payments, prior to the publisher recovering the deficits it incurred in the first few years to launch the journal. If the editor is good, the publisher will want to keep him or her happy and it may be difficult to say no. Acceding to this demand does, however, delay the publisher's recovery of its investment and put pressure on other parts of the publishing program.
6. The editor wants to double the number of halftones in every issue of the journal, believing it is essential in order to attract high quality content. This change could require upgrading the paper the journal is printed on and revising the design.

7. The editor complains about the quality of photographs in the last issue and demands that the publisher find a new printer for the next issue. Or the editor may have an article that he or she believes requires duotones rather than halftones, or he needs a fold-out spread, or a 4-color signature, or special free offprints for a big-name author, etc.
8. The editor demands changes at the final stage of production after the printer has laid the entire issue out on press. Changes at this stage are extremely expensive but sometimes impossible to avoid.
9. A new competitive journal has been announced, and the editor demands a glossy direct mail campaign immediately in order to keep authors from migrating to the new publication.

These kinds of calls over and over make journal publishers sometimes reluctant to pick up the phone when they know an editor is calling! Publishers feel caught between the subscriber's need (particularly library subscribers) to have prices set six to eighteen months in advance of an issue's publication and the needs of their other set of customers (authors, editors, and journal sponsors) to continue attracting high quality content. Publishers realise that these types of requests, or emergencies, will arise and may have to be addressed quickly, and they must account for the possibility in their pricing.

Most scholarly journals receive the bulk of their revenues (90% or more) from subscription sales. Other income comes from the sale of back issues, single copies to bookstores, licensing of subsidiary rights, offprints or reprint sales, advertising, or rental of the journal's mailing list. Some journals enhance their revenue through page charges to authors, and there may also be sales of supplements to the journal (such as CDs, cumulative indexes, or special issue supplements). These revenues must cover the following types of expenses:

Manufacturing

Plant (typesetting)
Paper, printing, binding
Offprints/reprints
Authors' alterations/photos/4-color design

Operating Expenses

Editorial office support
Permissions royalties
Copyediting/proofreading
Marketing
Mailing and handling
Royalty to journal editor and/or journal sponsor

Indirect Expenses

Circulation and fulfillment

- computer operation
- renewal notice mailings
- customer service
- warehousing of back stock

General and administrative

- production staff
- marketing staff
- administration staff
- accounting/financial services
- telephone/network services
- computer and other equipment
- rent, office supplies, furniture
- employee benefits

Manufacturing costs for MIT Press journals generally range from 20% to 40% of the total expenses for a journal. Those journals with smaller percentages tend to have higher editorial support payments or royalties to editors or sponsors. Operating expenses account for the remaining 60% to 80% of expense, with indirect expenses growing over the last few years at the rate of 1% per year.

Of the thirty-nine journals on our list, eighteen have joined our program in the last five years. Ten of those were new titles and eight were existing journals transferring from other publishers or sponsors. Of the twenty-one journals that have been in our program over five years, most have experienced significant changes that have required offsetting price increases:

* 8 journals (38%) have changed production processes due to incorporating new technologies

* 11 (52%) had substantial increases in the editorial support paid to the sponsor or editor's institution
* 4 (19%) changed sponsors completely
* 9 (43%) experienced substantial page increases due to heavy backlogs of accepted material
* 3 (14%) changed frequency permanently

When prices are set in May for the next calendar or volume year, information is still very incomplete on subscription levels for the current year. The publisher must consider the special needs of the journal (extra pages, extra issues, extra editorial support) as well as the importance of keeping the editor or sponsor happy. Editors are usually critical to the quality of a journal, and they are tough to replace. Journal publishers constantly walk a tightrope trying to keep the editor happy and also keep the publication financially healthy. The publisher must also balance the needs of the other publications in the program. If there are many new journals on the list which are losing money (i.e., requiring heavy financial investment), it puts pressure on the price of existing journals in the program. There is also quite a difference in price sensitivity among different classes of subscribers, and among different disciplines. The publisher must also factor in potential cancellations, as well as lost sales from collection sharing among consortiums of libraries.

All members of the scholarly communication process affect the pricing of publications. It is important for all of us to realise the effect that journal editors, authors, and sponsors have on the pricing of scholarly journals and therefore the financial viability of the system.