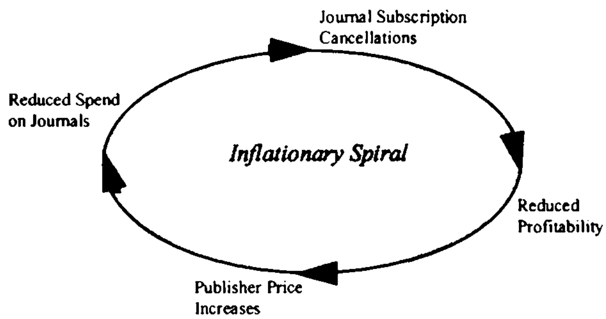
PRICING ON-LINE JOURNALS

Ian Bannerman

Paper presented at the ASA seminar 'The Internet: opportunities for agents and publishers', London, February 1998

Online publication provides the opportunity to break away from the old pricing vicious circle. This paper examines the various pricing options.

The pricing of journals is a contentious subject. Any analysis of trends in journal prices would indicate that this is not a commodity that obeys the normal rules of supply and demand. There is plenty of evidence to support the view that the price of journals has risen by more than inflation for the past several years. There have been mitigating factors - increases in the number of pages, rises in paper costs, fluctuations in exchange rates. These have all played a part but can not be held fully responsible. The journals 'market' is simply not price sensitive, i.e., a price increase of 10, 20 or 30% will not result in a circulation decline of 10, 20 or 30%. Some publishers have even gone on record to say that they account for decline in circulation when setting prices and there are few other industries in which a player can more than compensate for a decline in market share by increasing their prices. So we are caught in a vicious circle, in which increases in price lead to declines in circulation which lead to further price increases (see below).



The advent of on-line publication provides us with an opportunity to redefine journal pricing and break out of this vicious circle but we must approach the subject with imagination and sensitivity if we are to arrive at solutions that are in the interests of both ourselves and the academic community on which we depend.

Stephen Harnard from Southampton University has said that "There are no stable hybrid or halfway solutions for launching the

Ian Bannerman is Journal Sales Director, Blackwell Science Ltd, Osney Mead, Oxford OX2 0EL
E-mail: ian.bannerman@blacksci.co.uk

learned periodical literature onto the post-Gutenburg galaxy."[1] Let us look then at some of these unstable solutions:

Free access

There are some compelling arguments for giving away on-line access:

- It can provide a critical mass of users on which to test the service.
- It can get the on-line journal to more users more quickly, and there are several benefits in having a high number of users - including the increased exposure that the title receives, arguably leading to wider readership and author submissions. High readership is a marketing resource and can open up opportunities for additional revenue streams, including on-line advertising.
- It removes the costs of administration of payment and security, along with some of the licensing difficulties
- Users should be tolerant of any problems with the service because they are not paying.

There are also pitfalls that should be avoided:

- The users might put no value on a service that costs them nothing.
- Usage figures can be distorted by technophiles and competitors, who increase costs but will never contribute revenue.
- Can lead to a lack of internal discipline, i.e. don't worry no one's paying for it.
- Tests the technology, not the market.

The obvious disadvantage is that you do not get any direct income from the on-line version of the journal. So if you are giving away on-line access it is important to understand why:

- Are you just giving it away to print subscribers, thereby adding value to the print subscription and tying in customers?
- Are you giving it away in exchange for user-registration information and usage data that will increase your knowledge of your customers and allow you to sell other products and services?
- Do you intend to charge for on-line access in the future, once your customers can not do without it?

Combination pricing based on % of print

Having decided to put a price on the on-line subscription, one approach is to say that print subscribers will be able to take the on-line version as well for an extra *x*%. Having tried this approach at Blackwell Science it is interesting to see what the reaction has been from potential customers. The focus of debate has understandably been on the value of *x*. The University of Georgia provided me with an analysis of subscriptions across their seven largest publishers in 1996:

Publisher	*Average price*	*%BSL*
Publisher A	$1,400	296%
Publisher B	$1,202	254%
Publisher C	$1,129	239%
Publisher D	$806	170%
Publisher E	$770	163%
Publisher F	$733	155%
Blackwell Science	**$473**	**100%**

This table serves to illustrate the point I was making earlier about the price insensitivity of the journals 'market'. Are the journals of Publisher A really three times more valuable than those of Blackwell Science? If we add x% for on-line access and they add x% for on-line access then should they get three times more revenue? One of the problems of the 'additional x%' then is that it preserves the existing inequalities in the system. It rewards publishers that have already established high print prices. It also provides further incentive for annual increases in print subscriptions, which will automatically increase on-line revenue, regardless of the cost base.

The other interesting point about focusing on the value of *x* is that there is an implicit assumption that all on-line services are equal. The true value of an on-line subscription lies not just in the content but also in the technology and the licence:

- Technology - PDF or full text HTML, quality of illustrations, links to secondary databases and other articles, search capability etc.
- Licence - definition of use, user and site, term and termination etc.

In the longer term, therefore, the 'additional x%' approach might not stand the test of time. In the short term it is at least straightforward and intuitive, and easy to budget for, for both the publisher and the customer.

Choice of formats

If a publisher offers a standalone on-line subscription then the question of archival access is brought sharply into focus and it is a question that remains largely unanswered. If I sell a print subscription in 1998 and the customer cancels in 1999, they still have issues on their shelves. If the subscription was on-line, should I continue to provide access in 1999, in 2009, in 2099? What price can be put on this ongoing access?

If there is a significant shift to on-line access and away from print then the economics of journal publishing will clearly change, as costs for paper, printing and postage decline, whilst costs for on-line storage, bandwidth and user administration increase. Will there be a significant shift to on-line only and if so when? One way to find out is to give customers the choice now but it is a brave decision and requires considerable confidence in the quality and robustness of the service.

Subscription bundles

Superficially a 'win-win' situation, the publisher offers on-line access to all of their journals at a price that reflects historical uptake of print subscriptions. The publisher benefits from increased revenue and increased market share, the customer benefits from broader access at an apparently advantageous price. There are, however, inherent problems with this approach:

- Once again, existing inequalities are perpetuated. It is the higher priced publishers that benefit most from this arrangement.
- If the additional access is to peripheral titles of little value to the subscribing institution, then the deal may be of no real benefit to the customer.

What is extraordinary about this type of arrangement is the assertion that access to 200 journals is better than access to 100, regardless of their content or quality. All journals become equal if they are bundled up into a blanket site licence. These deals will become increasingly difficult to administer as they get older and the initial reference point becomes less valid. Where subscription bundles do work, is where they are organised logically around subjects, and Ovid have done well with their Core Collection series which works on this principle.

Consortia pricing

The past three years has seen a lot of activity with regard to consortia deals. Among the most significant developments are the UK National Pilot Site Licence Initiative (NPSLI) and Ohiolink. One of the difficulties here is that all consortia are different. The UK universities were lead into NPSLI by the Funding Councils with apparently little consultation and the success of the initiative has varied from site to site, depending on local circumstances. Ohiolink has not only central funding but also a central infrastructure and they prefer to host material rather than access it remotely. There are a plethora of other consortia which vary in their size, resources, technical infrastructure and cohesion.

The Academic Press approach, well publicised on their website and elsewhere, is to take the bundled subscription model and apply it across the consortium, with added frills including 'deep discounts' on additional print subscriptions and a cap on future price increases. The advantages are clearly that it ties up a lot of customers in a few deals, the revenues can look quite interesting and the exposure of titles is vastly increased. For some publishers and some customers it obviously works well. My reservation is once again the assumption that all titles are of equal merit. There is a danger that these deals disenfranchise the librarian and undermine the role of collection development. There may be no sense of local 'ownership' of the deal or of the access.

Transactional pricing

There are mixed views on transactional pricing, or document delivery, among both librarians and publishers. From a publishers' point of view, much of the debate centres on price. If we look again at the University of Georgia data, it is clear that some publishers cannot afford to offer document delivery because their subscription prices are set at a level where the balance would always swing in favour of document delivery rather than subscription and the publisher would lose revenue. Document delivery does go on, however, through various channels, many of which yield little or no revenue (e.g. Inter-Library Loan). It might be better to offer a fast efficient service and make some money from document delivery, rather than taking a Canute-like approach to it. Whilst few would argue for document delivery as a single solution, it might have a place as part of the product mix.

Charging per user

This probably falls into the category of 'nice idea but...'. Intuitively it would make sense to charge the University of Keele less than the University of California for on-line access to a title. But how do you define users? All faculty, staff, students? All geneticists? All terminals at an IP address? If you managed to sort this out then the solution might be popular in Keele but not in California.

Conclusions

So where does this leave us? All of the options that I have gone through are appropriate for some publishers, for some titles and for some customers. None of them has universal appeal. In most cases the key factor in determining the viability of any option is the existing paper subscription price. The market is clearly immature and the best position for any publisher or librarian to take is one of openness and flexibility, trying out a range of options until the fog begins to clear. The nightmare scenario is that paper subscription prices continue to rise, with on-line prices pegged to them until the system reaches the point of collapse. There will then be far more winners than losers. The encouraging signs are that the advent of on-line publishing has increased the dialogue between publishers, librarians and agents. We have a long way to go yet but I am confident that we will make progress as long as we are open to new solutions and have the flexibility to be able to act upon them.

Reference

1. Harnad, S. and Hemus, M. 1998 in I. Butterworth (ed.) *The impact of electronic publishing on the academic community*, London, Portland Press