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Mourning Serial/ Serial Prices

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Mourning Serial

Column Editor, Phil Greene (EBSCO)

[With this issue, we welcome Phil Greene who will be contributing a column regarding serials prices to ATG regularly. We hope you like the column title. We couldn’t resist it. — Ed.]

This column will provide readers of Against the Grain with current information relative to specific issues in serials pricing. To be of value, the column must speak directly to your concerns and questions. Therefore, I would greatly appreciate receiving questions or suggested topics from you. These questions can be sent to me at EBSCO Subscription Services, 1163 E Shrewsbury Avenue, Shrewsbury, NJ 07702 or via my electronic mail: PGREENE@EBSCO.COM

As this is being written, the concern for foreign title pricing has reached an almost cataclysmic level. The international economy has never been less stable and does not promise to calm down in the near future. Current estimates for 1993 subscriptions indicate that the US dollars’ decline will result in currency devaluation costs of 10% to 18% for US libraries — in addition to the 8-10% inflation announced by non-US publishers. Between May 1992 and July 1992, the dollar slid by more than 10% as compared to 5 major European currencies (British pound, French franc, German mark, Dutch guilder and Swiss franc). Approximately 3% of this slide occurred in July. As of the middle of September, the dollar has fallen an additional 1% to 2%.

The extraordinary and unexpected chaos in the international currency market the week of September 14 offered some improvement in the value of the US dollar — but, even more importantly, demonstrated the extreme volatility of the conversion factors.

One of the goals of this column is to present specific information in a clear and straightforward manner to facilitate a more complete understanding within the serials community. Probably nothing causes more confusion than the effect of foreign currency on the subscription price of non-US titles and the methods utilized by domestic subscription agencies to pay foreign publishers.

In August, domestic subscription agencies begin to receive the following year’s subscription prices from publishers. There is a great deal of interest in how exchange rates for US dollars to foreign currencies are established. There are basically two ways this is handled.

In the first instance, the publisher sets its own exchange rate and states the period of time for which this exchange rate is valid. This exchange rate is usually the same for all subscription agencies. For example, a publisher might announce that the dollar is to be exchanged for the Dutch guilder at the rate of 1.76 for a period of three months from October 1 to December 31. That exchange rate is entered into our title price file as the currency conversion factor. All orders cleared during that time period will calculate the subscription price based on the specific exchange rate set by the individual publisher.

Exchange rates are handled differently when the publisher does not set its own exchange rate. Generally, the publisher’s subscription price is listed in a title file in native currency. For these titles, EBSCO, for example, receives three quotations from banks and consults the Wall Street Journal each week. These three quotations are averaged with the Wall Street Journal listing. The average exchange rate for this week is then entered into the computer to be used in calculating foreign subscription prices. This is often referred to as the “market rate.” It is not controlled or set by the publisher or by the subscription agent. If the publisher requires that we pay them in a native currency, such as French francs, the title file reflects the subscription price in French francs. The publisher is paid in French francs — and US libraries are invoiced in US dollars using the weekly exchange rate for French francs.

Usually, a publisher will honor an exchange rate for a period of one week. Sometimes, however, there
are major financial fluctuations in a
country that will cause a publisher
to reject an order and request addi-
tional funds to cover this immediate
change in the currency conversion.
When this happens, it can result in a
significant difference between the price
at which an order was entered. Adjust-
ments are issued in these situations and
again the currency conversion factor
is printed. Unfortunately, the interna-
tional currency market versus the
US dollar is in this volatile situation
at this time.

A third, and fortunately less fre-
quent, occurrence is when a
publisher actually changes its pric-
ing schedule from US dollars to a
foreign currency. For example, a
Scandinavian university press had
sent all subscription agencies their
1993 prices in US dollars. On Sep-
tember 14, 1992, the publisher
advised that effective immediately,
they require payment in kroner and
they provided revised journal prices
using the kroner as the basis. The prices
for this publisher will now “float” in
keeping with the weekly conversion
rate for the kroner to US dollars.

American libraries are partners
in an international economy which
is still misunderstood by many people.
The complications of foreign currency
fluctuations combined with negative li-
brary budgets have caused serious
concern and some doomsday prophe-
cies. The first and most important step
that must be taken is for us to envi-
rionment is the identification of pricing
factors and the appropriate understand-
ing of the effect that the various
changes in the serials information
chain have on this pricing scheme.

Currently, more than 50% of the
anticipated serials cost increases
for 1993 foreign titles is totally out
of the control of any of us!