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Book Pricing Update / The Jagged Line

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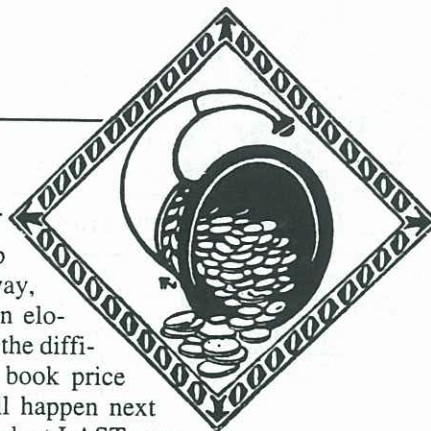
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Book Pricing Update

The Jagged Line: Average Book Prices & the Inflation Rate by Celia Scher Wagner (Blackwell)



Every six months, Blackwell analyzes average book prices for new titles covered on approval during the preceding year. The studies cover either the calendar year or the year ending June 30th. Since the studies cover a whole year, but occur every six months, there is an overlap, and each six-month period effectively gets reported on twice — once as the first half of the year, and once as the second.

Examining pricing changes for overlapping one-year periods smooths out seasonal fluctuations to give a picture of the general drift of book prices. Over the last two years, the rate of price increases has been slowing:

in the year ending June 30, 1992:	prices rose 12.5%
in the year ending December 31, 1992:	prices rose 6.5%
in the year ending June 30, 1993:	prices rose 1.8%
in the year ending December 31, 1993:	prices rose 0.4%

If past activity allowed us to predict the future, we could say that since price increases have been slowing down for the past two years, they will slow down even further in the next two years — in fact, the way this arc is going, they might be due for a drop! Unfortunately, there is no predictable pattern to book price changes. Prices *almost* always increase, but once in a while there is a temporary dip. Some years the increase is large, and other years it is small.

Consider the following chart. The jagged line shows average prices of new approval titles over the past five years. (Yes, in calendar 1990, there was one of those unusual small dips, but it was probably a fluke, and the steep rise in calendar 1991

more than made up for it.) In its own way, the jagged line is an eloquent testimonial to the difficulty of predicting book price increases. What will happen next year? Well, if we look at LAST year, we can guess . . . What? About all we can guess is that next year will be different!

The smoother line on the chart begins with the average book price from 1989. If the average approval title from that year had been published in each of the subsequent years, and if the only factor raising its price were the inflation rate, the smooth line would have resulted. In 1990, this “inflation victim” would have cost \$45.33; the actual average approval book cost \$42.53. The following year, the hypothetical inflation victim would have cost \$47.14, while the actual average was \$49.11. In other words, prices did not keep up with inflation in 1990, but went up much faster than the inflation rate in 1991.

The interesting aspect of the two lines is their dissimilarity. If the lines were identical, we could state that new book prices have risen in keeping with inflation. If the actual price line were always steeper than the inflation line, we could say that book prices have gone up faster than inflation, and we might even predict that they would continue to do so. Unfortunately, any relationship between the two lines is hard to perceive. Sometimes the book line tilts more steeply than the inflation line, and sometimes less steeply. Occasionally, they even cross. True, both lines do trend upward. And over the long term, books have gone up faster than inflation. When it comes to predicting price increases one year at a time, though, accuracy will be mainly a matter of luck.

(For those of you who like to update your statistics every six months, even if the changes are unpredictable, here are “the numbers” for calendar 1993 —

U.S. origin titles increased only 33 cents (0.8%), from \$42.74 to \$43.07.

U.K. origin prices actually fell by \$1.87 (-3.1%), from \$60.22 to \$58.35

Prices on other foreign titles jumped \$4.23 (4.8%), from \$88.71 to \$92.94.)

