June 1997

Op Ed-Opinions and Editorials

Alfred Gans

International Subscription Agencies

Follow this and additional works at: <https://docs.lib.purdue.edu/atg>

Part of the [Library and Information Science Commons](#)

Recommended Citation

Gans, Alfred (1997) "Op Ed-Opinions and Editorials," *Against the Grain*: Vol. 9: Iss. 3, Article 11.
DOI: <https://doi.org/10.7771/2380-176X.2136>

This document has been made available through Purdue e-Pubs, a service of the Purdue University Libraries. Please contact epubs@purdue.edu for additional information.

Op-Ed — Opinions and Editorials

Librarians Want Pricing Simplicity — Not Fairness

by Alfred Gans (International Subscription Agencies, Brisbane, Australia)

This is a response to Dan Tonkery's op ed, "Changing the Subscription Services Pricing Model," which appeared in Against the Grain, v.9#1 (February, 1997), p.65.

Dan Tonkery's piece "Changing the Subscription Services Pricing Model" is a welcome and thoughtful article that should provoke more discussion. He writes that "Libraries are in a position to demand new pricing options from the agent." But they always have been in that position and have never done so.

Dan Tonkery wrote his op ed in the context of fairness. The present agency pricing models make one library subsidize another and commercial "discount" publishers subsidize "non-discount" publishers. He suggests that librarians could ask to "convert to a fixed rate per order that reflects the actual cost to the library." I agree with him. However, for much the same reason, I believe librarians could also look at paying for claims separately. Unfortunately, all this is wishful thinking.

How can I say Dan Tonkery is right and at the same time call it all wishful thinking? Except for charging separately for claims, ISA Australia has already been there and done that. We gave up the "fixed rate per order" pricing model when we found that almost all librarians could not or would not accept the "real" cost for each of their titles.

Back in 1979, when ISA Australia installed its first computer, our previous discretionary method of charging clients changed to a formula. Computers need formulas, don't they! The previous discretionary method was good and fair, but also time-consuming and, of course, inconsistent. Before computers, ISA Australia's prices for difficult clients and inefficient publishers were higher than for effective clients and efficient publishers — fair but erratic!

Until I entered the world of serials, my specialty was cost accounting. It was all too obvious for me then, and even more so now, that the service components of a subscription agency is a truly variable cost.

Service costs grow with the number of subscriptions, not their value. Provided the client pays promptly, it does not matter if each subscription is \$10 or \$10,000. Yet, most agency margins are geared to value.

Except for the unpredictable costs to service claims, almost all other costs are fixed or discretionary.

ISA Australia wanted to keep the sys-

tem fair, so the first question to ask was could we unbundle claims? After all, it would be easy to set the computer to charge for each claim. Claims increase with inefficient publishers and can decrease or increase with inefficient clients (who too often do not claim or claim often and unnecessarily.) This cried out for a fairer charging method.

However subscription agencies must encourage claims. We need to see how the publishers, the post office and our own staff perform. A charge for claims would discourage clients' claims, and conse-

"We gave up the 'fixed rate per order' pricing model when we found that almost all librarians could not or would not accept the 'real' cost for each of their titles."

quently reduce our efficiency and encourage publishers to be less effective. Subscription agencies are not selling subscriptions, they are selling a professional service in a service industry chain when much can, and does, go wrong. If little or nothing went wrong (and Rowecom is just looking at that narrow area of the subscription business), what is the need for subscription agencies?

Our conclusion was that there seems to be no practical way yet to reduce claim costs to those librarians who do not make full use of agents' claims services. You can say, so what? It is the inefficiency of these librarians that causes them to pay for a service they are not using. However, what about the clients who claim needlessly and increase their costs and the agency's costs unnecessarily? Perhaps subscription agencies can find the way to charge inefficient publishers for each claim? Oh! For an ideal world! Does anybody out there know a fair (and practical) method of allocating the cost of claims?

Nevertheless, back in the early 1980s, ISA Australia did try what Dan Tonkery is now suggesting. There was no need for librarians who used publishers that gave discounts to subscription agencies to subsidize other librarians who purchased serials from non-discount publishers. It was inequitable to add a further margin to publishers that gave adequate discount. We thought librarians would welcome a fair pricing model.

We looked at our overall costs in the early 1980s and determined ISA Australia could maintain the same level of service at a margin of \$10 per subscription. We offered this to our clients — that is \$10 above the *discounted* price we paid the publishers.

ISA Australia also offered an alternative pricing model — this was a sliding scale margin above the discounted publisher's price — a high margin for low priced titles reducing to a low margin for high priced titles. Not a flat rate per order, but tending toward that. Note that neither pricing model was based on the publisher's listed or retail price.

Over a large range of titles, there was no real difference in cost between those two pricing models. Nor were the overall prices out of kilter with our competition.

We discussed both pricing models openly with our clients. In both cases, clients benefited if publishers gave agents little or no discount — Dan Tonkery's new idea is it not?

continued on page 35

Op-Ed
from page 34

Did the Australian library world accept this innovation? Sadly, no!

Only four clients accepted the \$10 option — all were special libraries. After five years, we bowed to market realities.

“Subscription agencies are not selling subscriptions, they are selling a professional service in a service industry chain when much can, and does, go wrong.”

We discontinued the pricing model and modified the sliding scale pricing model. We did not go back all the way to publisher's price plus a percentage, but we were forced to go in that direction, realizing that it was less fair.

Put simply, publishers' prices plus a percentage is not fair to the publishers who give discounts nor is it fair to the librarians who choose their titles. Tonkery correctly puts it another way when he says that “subscription agents use the profit from one library's list to cover the cost of supporting some other institution.”

What makes the library market insist on the current unfair policies? I have made no survey, but here is how I see it after 17

years as a subscription agent.

1) Librarians do not want to spend time on money matters. Publisher's price or publisher's price plus percentage is easy to grasp. Librarians believe incorrectly that the “plus percentage” tells them what the subscription agent is costing them. (Just try an experiment; simply transfer all titles

you buy from discount publishers to another agent and watch prices rise for your remaining subscriptions.) Librarians use the “plus percentage” to compare agents. When they came across ISA Australia's fairer but very different pricing model, they often either gave up the comparison and used other agents or forced ISA Australia to give a “plus percentage” estimate.

2) Librarians can easily accept a \$400 price when a subscription costs \$500 with a 10% discount and a \$10 charge. However, it is difficult to accept a \$20 price for a subscription they could get for \$10 if they went directly to the publisher. Yet this is what happens with the “fixed rate per order.” It could be even worse if Dan Tonkery's

variation occurred “based on the amount of work involved with both the library and the title.”

3) There is a perception in many libraries that they will save money if they choose the lowest priced subscription agents. However, it stands to reason that lower margins lessen the ability of the agent to provide effective service. The end result is more work by librarians with larger gaps in their collection. Have they really reduced their costs? Yet, while librarians persist with this apparent lowest cost approach, they will not take the time to test alternative fairer pricing models when comparison is more difficult.

ISA Australia had been eliminated from tenders because we could not be directly compared with other agents pricing models. (In fact, ISA Australia is often penalized further. We believe our good service

“Put simply, publisher's prices plus a percentage is not fair to the publishers who give discounts nor is it fair to the librarians who choose their titles.”

has sometimes been “rewarded” with the easier subscriptions going to competitors — but that is another story.)

“Libraries are in a position to demand new pricing options.” Yes, Dan, they are. But unfortunately, they won't!

Electronic resources from

ACS PUBLICATIONS

The leading publisher of chemical information now offers an expanded array of electronic products and initiatives

- **Internet Editions:** Throughout the year, all ACS journals are being introduced as online Internet Editions. Their benefits include browse and search features, and access to a full year's table of contents and abstracts. See our Publications home page for details and release announcements.
- **ChemCenter:** A unique gateway for electronic access to information on the many products and services offered by ACS... scientific databases, publication information, buyer's guides, chemistry news groups, educational information and more, all are found under the ChemCenter umbrella.
- **CD-ROM:** *Biochemistry*, *Journal of the American Chemical Society*, and *The Journal of Organic Chemistry* are also available in searchable, full-text presentation on CD ROM, in Windows and Macintosh formats.

Look to ACS Publications for practical solutions for the needs of information centers that serve the world of chemistry... in research, industry and education. Link up with these dynamic resources by investigating ACS Electronic Publications at <http://acs.pubs.org> or <http://www.ChemCenter.org>

ACS PUBLICATIONS
Essential Resources for the Chemical Sciences

AMERICAN CHEMICAL SOCIETY
MEMBER & SUBSCRIBER SERVICES
P.O. BOX 3337, COLUMBUS, OH 43210

1-800-333-9511/614-447-3776
Fax: 614-447-3671 ■ E-mail: service@acs.org
<http://www.ChemCenter.org> ■ <http://pubs.acs.org>