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Serials Pricing Update-The Real Cost and Price of E-Journals

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**Serials Pricing Update — The Real Cost and Price of Ejournals**

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by Marilyn Geller, MSLS <marilyn.geller@mindspring.com>

In the past several years, libraries have seen a significant growth in electronic resources and have worked hard to rise to the challenge of understanding and incorporating these materials into our collections. When we have a chance to catch our breath and to reflect on all the developments of these times, one might ask, "If an electronic version of a printed journal is ‘free’, how much does it really cost?" In fact, this is the question that prompted a presentation for the ALCCTS Serials Section Journal Costs in Libraries Discussion Group at the ALA 2001 Midwinter Conference.

As every good reference librarian knows, a simple question is almost never just a simple question, and this one is no different. A small sample of the underlying questions here might include: How much do ejournals cost the publisher to produce? How much do ejournals cost the library to access? What is the difference between cost and price? What is the publisher’s pricing strategy? And what does all this mean for the future of ejournal pricing?

In economic terms, cost is the outlay or expenditure of money, time and labor needed

continued on page 83

<http://www.against-the-grain.com>
Serials Pricing Update
from page 82

to produce goods or services. For both publishers producing electronic journals and libraries adding these resources to collections, this includes computer hardware and software and staffing. To begin with, publishers must replicate many of the features of a printed journal in the electronic environment. These functions include the conversion of article files to a Web-ready format such as portable document format (PDF) or hypertext markup language (HTML); the creation of access rights and controls; Web design, implementation and maintenance; administration of a global network of servers; and marketing and technical support for these products and services. Many ejournals, however, now deliver more than their printed counterparts. These features include a site searching mechanism; integration with third party services; electronic commerce capabilities; and preparation for digital rights management incorporation. Prominent on the list of new features and functions are archiving and statistics. While it would be premature to suggest that publishers have come up with long-term solutions to these two issues, publishers are expending energy on activities that were once the sole responsibility of libraries.

Both the replication of print features and the addition of new features cost publishers time, money and labor, and publishers have two options for getting this done. The first option is to create electronic journals through in-house production. In private conversations, publishers have given anecdotal evidence that the initial increase in staffing levels can easily cost 40% more, but over time staffing should level off while the development of value-added features may also increase. The second option for publishers is to outsource the production of electronic journals through such services as Highwire, OCLC’s ECO, or ingenta/CatchWord. Again, in private conversations, publishers say that these outsourcing services have a very wide range of prices. Depending on the outsourcing service, the number of issues per volume and the number of subscribers to the print version, recycling costs through a rise in the print subscription cost could easily be anywhere from 9 to 50%. All of this leads us to the conclusion that it does cost publishers more in real economic terms to create electronic versions of their print publications.

Libraries, for their part, have a variety of tasks to complete in order to create patron access to electronic journals; many of these tasks are parallel to ones in the print environment. Included in this task list is selection, “acquisition,” creation of access rights and controls, cataloging and bibliographic instruction for use. There are also new tasks associated with bringing this new medium into the library collection. These new tasks include negotiation and licensing, integration with other library resources and integration with third party services. All of these tasks require new skills on the part of the library staff; and these new skills often require more staffing at higher skill levels and with significant costs. For libraries, as it is for publishers, it does cost more in real economic terms to provide access to electronic versions of print publications.

At this point, it’s important to understand how costs can translate into prices. The simple economic definition of price is the amount of money for which anything is bought, sold or offered for sale. Based on information provided by the Faxon Company, we have comparative snapshots of the pricing picture for the 2001 subscription year and the 2000 subscription year. In 2000, 49% of all electronic journals in the Faxon database were either free or free with a print subscription. In the 2001 subscription year, 48% of all electronic journals are free or free with print. When looking at these numbers, it’s important to note that many of the electronic journals that are categorized as free are not complete replications of their print counterparts in that they do not include all of the print content. Further, fewer electronic journals fell into the free category in 2001 than in 2000. While it appears that the percentage of titles that are freely available or free with a print subscription is holding steady, one significant change is that more publish-
In the 2001 subscription year have begun to offer more than one pricing package. Typically, publishers may offer restricted access for one workstation or one simultaneous user for no additional charge beyond the print subscription price, or allow broader access for additional fee.

For publishers, choosing a pricing policy reflects strategic organizational goals. Some publishers aim to preserve print subscriptions in order to maintain their current position in the scholarly communications market. For others, the goal is to recoup costs as quickly as possible in order to sustain growth. Still others want to get their buyers invested in electronic products to position themselves for the future. Quite often, publishers have more than one strategic goal, and the net effect is to create a variety of pricing options in order to balance a variety of goals.

In deciding how to implement these different strategic goals, publishers can rely on two key concepts in economic pricing theory. The first is the economic concept of bundling. This concept defines pure bundling as making products available only as complete packages, whereas pure unbundling makes products available only as separate components and mixed bundling allows products to be made available either as complete packages or as separate components. For both buyers and sellers, the preference tends to be towards some kind of bundling. Buyers prefer bundled packages because it insures against unexpectedly large bills and is less difficult to budget. In addition, buyers tend to overestimate use. For sellers, per usages pricing tends to repress sales and doesn’t allow the seller to establish an ongoing relationship with the buyer. The second concept that publishers employ to sort out pricing packages is the concept of value based pricing. Here, pricing is not based on cost, but rather on quality discrimination, adding more or different content or services. In creating different packages either based on bundling or value, the optimal number of choices according to market psychologists is three.

Clearly, in pursuing strategic goals, publishers have a variety of choices in pricing their electronic products beyond simply based on the cost of production. Most commonly, we see pricing for individual titles as free with the print subscription for unrestricted use, free with the print for restricted use, separately priced and equal to the print or separately priced as some percentage of the print subscription price. In applying the concepts of bundling and value based pricing, publishers have come up with some interesting twists. They bundle various products by selling their collection of journal titles; they bundle various types of products by selling both the print and the electronic versions of their titles for one combination price, and they bundle buyers by selling products to a consortium of libraries.

In light of these economic concepts and the understanding of publishers’ strategic goals, the answer to our original question, “If an electronic version of a printed journal is free, how much does it really cost?” might be, “What difference does it make?” There are, however, some things we can infer from all of this. It really does cost publishers something to create electronic versions of their print journals, and it really does cost libraries something to bring these electronic versions of print journals into their collections. Economic relief for both parties may come in the form of moving away from our reliance on both the print and electronic and towards electronic only publication and acquisition. For this to happen, we will have to see more value and different kinds of value and product bundles. In the end, publishers will have to continue to add value to their products, and libraries will have to pay for it.

Marylin Geller is a librarian and information management consultant with experience in serials and Internet product development in both the academic and commercial environment. Marylin is adamant that we begin using the term eJournal instead of e-Journal. Apostrophized words are usually neologisms. EJournals are here to stay.

Book Pricing Update — Some Trends in Electronic Publishing

by Tom Loughran (Manager, Approval Systems, Blackwell’s) <tom.loughran@blackwell.com>

One of the hottest topics in the library community these days is the electronic book, commonly referred to as the “eBook”. Whether you are one of the brave souls that has already embraced this new technology or whether you are still waiting to do so, you may have questions about how this new form of digital content might fit into your collection.

Over the past year, Blackwell’s has been helping to make eBooks available to libraries with our partner, netLibrary. NetLibrary receives permission from publishers to digitize some or all of a publisher’s output. Each week, netLibrary sends Blackwell’s an electronic file of newly-digitized titles. These titles are matched to the corresponding print editions of books that we have treated. In our online database, Collection Manager, the titles thus linked are marked with a netLibrary icon to distinguish them from titles that only have a print version (a “p-book”).

Now that we have been adding eBooks for over a year we can answer three questions: How many eBooks are there? How old are they? And what are all of these books about?

From February 2000 through February 2001, over 15,000 individual eBook titles were linked with their corresponding “p-book” editions. Figure A shows the imprint years of these titles by broad groupings.

Approximately 43 percent were originally published in paper editions from 1998 through 2001, about 48 percent were published between 1994 and 1997, and the approximately nine percent remaining were published earlier than 1994.

Figure B displays the distribution of the eBooks into their respective LC Classes. I found two things about this distribution to be remarkable: one, the Science / Technology / Medical titles (Q, R, S and T Classes combined) made up only 23% of the total e-books. I had expected that the electronic medium would have determined a more decidedly “technical” content for these titles. Instead, the majority of e-publishing so far appears to be in the social sciences, (B, G, H, J, K and continued on page 85

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