November 2013

Got a Simple and Innovative Pricing Model? You Can Keep It.

Rick Anderson
University of Nevada, Reno Libraries, serialsonline@unr.edu

Follow this and additional works at: http://docs.lib.purdue.edu/atg
Part of the Library and Information Science Commons

Recommended Citation
DOI: https://doi.org/10.7771/2380-176X.4955

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.
Electronic Resources Pricing: from page 20

five tiers with the highest tier being associated with large doctoral-granting institutions supporting heavy research activity. When such models are implemented, the new subscription prices may be greatly increased for larger institutions while smaller libraries may even pay a lower price than they had formerly. Implications of this model for larger libraries are a concern as noted by Karla L. Hahn. “Research institutions are usually placed in a top tier and could experience substantial erosion in their purchasing power and collection size if tiered-pricing models are widely adopted.” Publishers may take that into consideration as they alter their pricing models. For instance, Duke University placed a cap on the subscription increase during the first year of the recent change in the e-Duke Scholarly Collection pricing: in time, usage data will be factored in with the Carnegie Classification aspect of the model to establish each institution’s rate.

Publishers may offer a back file along with current subscriptions to electronic content. The range of years provided is determined by the publisher and takes into consideration the age of the publication, with, for example, the most recent ten years being offered. Publishers may also make available with subscriptions a complete archive of all issues that have been digitized. Some archives may be offered at no charge. Archives or portions of archives may also be offered as a separate subscription. Libraries would be charged a one-time fee with an ongoing platform fee to cover annual maintenance thereafter. The Institute of Physics (IOP) hosts an historic archive that extends back as far as 1874, depending upon the age of the individual titles. Pricing for this is either by annual subscription or as a single fee for perpetual access. Blackwell Publishing indicates that later in the year, digitized content starting with the first issue of selected titles will be available on a title-by-title basis within their back files. The unanswered question is whether any of this truly ensures perpetual access.

Bulk Discounts

The makeup and administration of consortia vary widely, but their common ground for libraries is the purpose that they serve: license negotiation and purchasing are handled by a representative of the group, and more affordable rates are offered by the publisher. The result is access to many more e-journals and databases than would be possible if individual agreements were established. While lower costs for resources can be substantial and readily apparent, the savings in staff time overall when negotiations are centralized are likely just as meaningful. Negotiation expertise takes time and skill to develop, and that ability is valued by members of a consortium. Publishers are able to maintain numerous institutions as customers without meeting one-on-one with buyers for each library. Some portion of that savings is passed along to members.

Any structures developed have to work for both parties. Publishers want to increase their volume of sales and to sell more units, while each library in a consortium expects to pay less than they would pay by themselves. There are many pricing models that can meet the needs of both parties. For example, within the Carolina Consortium (http://library.uncg.edu/carolina_consortium/), there are as many different pricing models as there are consortium deals. Some deals grant us a sliding discount based upon aggregate FTE, total spending, or the number of schools. Some are based on the number of new subscribers or the amount of new expenditures; some offer flat discounts to any participants; and some charge full price with the bonus of free content. Some have upcharges based on the number of titles. For example, if the libraries already subscribe to ten titles from the publisher, adding 25% to the cost would allow for access to all of the publisher’s titles. Or the upcharge could be based upon expenditures rather than specific numbers of titles.

Once the pricing model is established, the consortium still have the responsibility of allocating the expenditure among its membership. Dividing costs equally among consortium members is not an optimal choice, since the funding base of member institutions can vary widely. Basing charges on FTE (Full-time Equivalent) student enrollment can be more equitable. Actual calculations likely involve more than a simple base number but may include considerations of which programs to include or adjustments based on full time versus part time enrollment, for instance.

Libraries on their own or within consortia may negotiate multiyear agreements with publishers. Long term commitments often include caps on price increases. Such agreements help with budget planning, but the expected costs beyond the license term could prove unsustainable. Good relationships with vendors and awareness of activities in the market can help to reduce the potential of undesirable surprises.

Conclusion

The number and range of pricing models seems infinite. Maybe that isn’t actually true, but Stephen Rhind-Tutt enumerated 59 and further elaborated that, by using the models in combination with one another, the tally was close to 20,000! The complexity will not likely be eased. The key is knowing what is being purchased. Coverage terms, permanent access, back files, discount rates and service charges, hosting — all components of the license agreement must be understood. The ultimate goal is providing the resources that library users need. That service is the end result of all the thoughtful work leading up to a patron clicking on a link.

Endnotes

3. Watson 38.

Got a Simple and Innovative Pricing Model? You Can Keep It.

by Rick Anderson (University of Nevada, Reno Libraries) <rickand@unr.edu>

Every so often a vendor or publisher representative will come to me with light in his eyes, eager to expound the merits of his company’s new, simplified pricing structure — or, even more alarmingly, its “innovative new pricing system.”

In response, I always do exactly the same thing: I put on a smile, establish eye contact, and maintain both while I back away very, very slowly. When I feel I’ve put enough distance between us, I turn and run.

All right, so maybe I get a little bit uptight about pricing issues. (And I do seem to be going through sales reps at a rather alarming rate.) But let me explain my reaction.

First, as to simplicity. All other things being equal, of course, I’d certainly prefer that continued on page 24

<http://www.against-the-grain.com>
each of our databases and journal packages have a simple and easy-to-understand pricing structure. For one thing, it saves time and energy for me and my staff, the less time we have to spend poring over a complicated pricing model and figuring out how much a particular product is going to cost us, the better. For another thing, it reduces the amount of time we have to spend explaining the price to our colleagues and administrators. And for another, a simple pricing structure reduces our suspicion that the vendor is trying to keep us confused. If a pricing model is too complex, we begin to suspect that there’s something in it that our rep is trying to hide from us.

However, when it comes to pricing, simplicity is not necessarily an unalloyed good. What ultimately matters to my patrons (and therefore to me) is not the structure, or the way the price is arrived at, but the final price itself. Look at it from my perspective: suppose that you offer me a database or journal package at a price of $10,000. And let’s suppose that that’s my price because your pricing model has three tiers, depending on FTE; smaller institutions pay $5,000, medium-sized ones (like mine) pay $10,000, and large ones $15,000. That’s a very simple and easy-to-understand pricing structure, and it will take me no time at all to look at it and figure out which price applies to me.

Now, suppose that instead of that nice, straightforward pricing model, you offer a structure with ten tiers, and variations within each tier based on existing subscriptions and curricular focus. For example, if yours is a package of architecture journals you might offer one price to medium-sized institutions with ten existing print subscriptions and a graduate program in architecture, and another price to medium-sized institutions with no existing print subscriptions and an undergraduate minor program in architecture. Or you might adjust the price based on enrolled FTE in the architecture program. Figuring out your institution’s price under such a program could involve a considerable amount of work for my staff and me. It might, in fact, take me an extra hour or two of research—calling up departments to find out how many students they have, double-checking whether my university fits your definition of “medium-sized,” etc. That’s bad, right?

Maybe, maybe not. If your complex pricing structure causes me an extra hour of research but saves the institution $2,000, then my time has been very well spent. In other words, simple pricing is good, all other things being equal, but all other things are never equal, and under certain circumstances simplicity can be very expensive and may not be worth what it costs. A pricing structure that makes my life momentarily easier but costs my institution significantly more is not one that I should prefer, if I’m a responsible professional.

If simplicity in pricing is something that we should all regard with a certain degree of skepticism, I would suggest that innovation in pricing is something we should regard with something closer to outright alarm.

But why? Don’t we librarians want publishers to be innovative in their pricing programs?

Short answer: No. Medium-length answer: Who cares? Long answer: We all seem to be conditioned to believe that innovation is necessarily a good thing, but in fact, it’s only a good thing to the degree that it represents improvement. Suppose, for example, that I were to adopt a management strategy that involves walking around hitting the members of my staff over the head at random moments with a rolled-up newspaper. It would certainly be innovative—but would it be an improvement over my current management strategy? (Actually, it might. Hmmm.) When it comes to pricing, what matters most is the ultimate price. The nature of the process or structure that leads to the price does matter somewhat—we’d prefer there to be some measure of fairness and rationality in the system—but what matters absolutely least of all is whether the system itself is innovative. My message to vendors and publishers is consistent: Don’t waste your energy trying to sell us on how new and exciting your pricing structure is. As far as we’re concerned, you might as well look around at your competitors, find an existing pricing model that fits well with your needs and ours, and steal it from them. Let someone else invent this particular wheel. We customers would prefer that you direct your energies to increasing your content and improving your interface.

So, am I saying that we librarians don’t want or expect simplicity and innovation from publishers and vendors? Not at all—simplicity and innovation can be very important. But innovate where it matters: in your search interfaces, your administrative modules, your usage statistics, your content. These are all areas where more simplicity is almost always better. Pricing is not an area where simplicity and innovation should matter much to us.