



Editors' Update

Your network for knowledge

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STRATEGY & POLICIES



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Committed to value in journal publishing

Journal pricing is an important issue. Editors' Update looks at how pricing models have evolved and what Elsevier has done to control prices and deliver added value.

Historical context

"Pricing of journals can be an emotive topic," says Mayur Amin, Senior Vice President, Research and Academic Relations. These feelings date back to the 70s, 80s and early 90s when journal prices were rising much faster than inflation for the entire Scientific, Technical and Medical (STM) industry. That period also witnessed an increasingly widening gap between the growth in research funding and the growth in library funding. "We got into a situation where the demand for research publishing (as reflected in the number of accepted articles) was growing at 3 to 4% per annum over and above inflation," continues Amin. "Library funding, which essentially pays for the research output that was published in scholarly journals, was not keeping pace with the funding that was driving the research."

Declining journal sales

With limited funds and increased research output, some libraries were not able to afford the volume of journals being published so they started canceling subscriptions. As a result, journals were seeing declining sales

yet more demand from authors submitting papers. Journals have very high fixed costs so publishers raised subscription charges to cover the increased costs. This, combined with significant currency fluctuations, led to spiraling prices. "People, not surprisingly, found it very strange that publishers' reaction to declining sales was to increase prices," Amin continues. "In STM publishing there is a limited number of people interested in niche areas of research so if you reduce prices, sales don't go up. In other words, demand is not elastic. Publishers were dealing with a situation of increased demand from researchers to publish more, with associated increased costs, on the one hand, and declining sales via libraries on the other. Of course, libraries bore the brunt of the price increases at a time when in real terms their funding was static or declining."

All of this created ill feeling and something needed to be done to get out of the spiral. "Publishers were trying to find a way to serve the research community and balance costs," says Amin. "So in 1999 Elsevier took a bold step and promised to absorb currency fluctuations and keep the annual price increase percentage below double digits." The company has kept that promise and

its annual price rises have consistently been among the lowest in the industry.

Price factors

Even though Elsevier has managed to control price increases there is still a perception that some journals are over-priced. "There's a tendency to think all journals are the same and they're not," explains Amin. The price of a journal depends on a number of factors. These include the nature of the journal, the number of articles, the size of the market, potential advertising income and additional revenue sources like membership fees, page charges, tax concessions and favorable postage rates. "You cannot compare a hybrid journal like *Nature*, which has high circulation and substantial advertising income, with a niche research journal that has low circulation, institutional sales and no advertising."

So how does Elsevier's pricing compare to the rest of the industry? "If you just look at the average list price per journal, Elsevier is higher than average," admits Amin. However, Elsevier's journals are also above average in size so on a list price per article basis, Elsevier journals are close to average. "Furthermore, if you look at average price per use, we're quite low." This is because

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electronic access has changed the pricing model. "The list price of a journal has little relation to the actual cost paid per journal as part of an institutional license agreement," continues Chrysanne Lowe, Vice President Customer Marketing. "The opportunity for licensing a larger number of journals has driven the cost per title down significantly."

More choice, less standardization

Elsevier offers a variety of price models for different markets. There are pay-per-view, individual title selection, complete collections, subject collections and more. Institutions may take a mixture of print and electronic or eliminate print subscriptions altogether.

Although electronic publishing has brought greater flexibility and more favorable pricing, individual contract negotiation has made things more complicated and some customers have difficulty with this. "Lack of standardization brings more choice but more complexity across publishers," Lowe continues. Gone are the days when you called a subscription agent who pushed a few buttons, input a projected price increase and gave you an estimated cost across publishers. "It's a trade-off. You can now customize a contract to an institution's needs. But a library now has several contracts with several publishers and each contract may be different."

To understand how electronic licensing has impacted actual price, Lowe cites the example of an institution in the United States. Its contract with Elsevier, which covers 10 sites, originally averaged 411 journals per site at an average \$1,825 per title. Through consortia arrangements each site now accesses 1,147 titles at an average \$638 per title. In effect, the institute's collection has expanded by 65% at no extra costs.

Every title used

Although the new licensing deals allow customers to access more material at a

vastly reduced price, some worry that deals are binding them to journals they do not really need. "What we've found however, is that there is high usage of the new journals," says Amin. At the same US institution, 33% of its journal usage is from previously unsubscribed material. "It shows that there's use for every title," says Lowe. "The fact you didn't subscribe to a journal in print doesn't mean it won't be used online. One US librarian said to me 'the usage statistics prove that we never selected the right stuff in the first place.'"

Continuous usage growth has also had an impact on the cost per article. Globally, the cost of downloading an article today is five times less than it was in 1999, averaging \$2.75 per article as of the beginning of this year. "It varies from customer to customer, of course," says Lowe. "It

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depends on the institution's research program, demographics, need and use, but all indicators are in favor of the customer. Some customers have a CPA under \$1.50."

More time for analysis

Declining article prices show how efficient the STM publishing sector has become. A study by Tenopir and King showed that since 2001, scientists read 25% more articles per year. Science is the only sector where researchers are actually spending more time analyzing rather than gathering information. "People aren't just saving in terms of cost per use," says Amin. "They're also saving time." Customers themselves have contributed to these efficiencies Lowe believes. "It's the success of libraries and journals as well as publishers."

As for the future, Amin and Lowe foresee even more benefits for customers. "We're

in a migration period," says Amin. "We're moving towards providing more flexibility in people's licenses." Lowe agrees. "It's an evolution," she says. "We're committed to increasing value for customers. So we're continuing to modify business models and work on pilots with individual customers with an aim to eventually roll out new commercial options." Publishers are also committed to making their systems more efficient. "I'm sure we'll see that in the next few years," confirms Amin. "More access at a lower cost."

In the meantime, how can editors and authors influence decision makers at their institutions to subscribe to more journals? "There has to be a greater balance between the budget that drives the research output and the library budget that effectively pays for it," believes Amin. This balance

could possibly be achieved by showing how the number of articles used and the number of articles published correlate to grants and contracts awarded. Lowe: "It's about showing that libraries investment in this material delivers financial returns

for the institution. For example, a recent study by Outsell (1) indicates that by using an organizations' library, on average users reduce their time spent on information tasks by nine hours per interaction and save \$2,218 in direct costs."

References:

(1) [Outsell's Buyer Market Database, Dr. Carol Tenopir](#)

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