

*September 25, 2014*

Each year, EBSCO surveys a wide range of publishers and reviews historical serials pricing data in order to provide our customers with serials price projections that will assist them in budgeting for the upcoming renewal season. While based upon careful analysis, we recommend that subscribers exercise caution when using these projections as they rely on historical trends and current estimates.

## *2015 Price Projections*

At the time of writing, we expect the overall effective publisher price increases for academic and academic/medical libraries for 2015 (before currency impact) to be in the range of **5 to 7 percent**.

## *Market Dynamics*

Prior to the economic downturn in 2008 in the US and Western Europe, double- or high-single-digit price increases for journal subscriptions were fairly common among most publishers. During this same time, libraries generally saw annual budget increases below the level of average annual publisher price increases. This created a gap between prices from publishers and budgets to fund these increases. This continued gap was widely known as the “serials crisis.”

In an effort to manage the serials crisis, librarians attempted to close the gap between serials price increase and their serials budgets by employing a combination of tactics including cutting less used or high cost-per-use serials or taking money from other library budget items (ex: monographs). However, the economic collapse in 2008, took the serials crisis to a whole new level as library budgets went from flat or low annual growth to being significantly cut over multiple years. This forced librarians to begin to make very difficult content decisions cancelling large amounts of serial content. As this occurred publishers were faced with losing significant sales revenue or accepting lower annual price increases. Most publishers responded with lower price increases acknowledging that lower revenue increases were better than revenue decreases. In a sense, a “new norm” was created whereby the effective average annual serials price increase range dropped to the mid-single digits. Now, nearly seven years later, increases seem to have leveled off, holding steady around 5 to 7 percent a year, the percentage we expect for 2015 for titles priced in both US dollars and Euro.

While the economic downturn and subsequent slow economic growth have certainly impacted publishers’ abilities to raise prices, other factors referenced in previous

years' projections also continue to have impact on the actual average increases in subscription expenditures by libraries.

Perhaps the most obvious of these is the proliferation of multi-term, fixed-increase license agreements. The advent of ePackage agreements (also known as "site licenses") was also rooted in the economics of publisher revenue preservation. Publishers recognized an opportunity to both protect existing content purchase from cancellation by bundling titles into multi-year agreements and to expose additional, previously un-purchased content to libraries by including them in these bundles either at no additional cost or a relatively small additional charge. In exchange for multi-year commitments on bundled content, publishers offered annual price increases below historic averages. Even publishers with smaller portfolios of titles have offered capped pricing as low as 3 to 5 percent for institutions who agree to purchase for multiple years, with lower caps offered for longer term purchase guarantees. As these multi-year, packaged deals are renewed, publisher list prices for the individual journals begin to become less relevant. And, as an institution enters more of these deals, tracking details such as individual journal cost-per-use becomes very difficult. Based on various EBSCO surveys, institutions may have from 60 to 80 percent of their subscription spend covered under a license that specifies the percentage price increase for the upcoming year.

The number of Open Access journals -- titles accessible without subscription fees -- continues to grow, though not at the speed predicted by some. In some cases, such as the SCOAP3 project, high-intensity research institutions have essentially footed the bill for smaller institutions to have Open Access to certain journals; however, this is likely not a scalable solution for fields that are less popular or have less funding for research overall. A few not-for-profit OA efforts, like *Elementa* from Dartmouth and other partners, have taken root. And commercial publishers have to some degree embraced the OA trend as well, with efforts like BioMed Central from Springer, SAGE Open, and an increasing number of OA journals from Wiley, among others. However, the vast majority of OA projects seek to shift expense from libraries to researchers, perhaps reducing costs at the overall university level for those institutions who do not produce significant amounts of research published in OA journals and increasing overall costs at those who do produce a relatively high volume of OA published scholarship.

A factor with perhaps the most potential to disrupt the typical percentage-based yearly price increase model is the move towards pricing based on institutional characteristics such as usage, FTE and Carnegie classification. More and more publishers are experimenting with such models. Project MUSE has long had tiered pricing; American Chemical Society introduced usage-based pricing several years ago. Major publishers Wiley and Taylor & Francis have introduced pricing tiers based on FTE for a growing portion of their journal portfolios. As this practice grows, it is possible that price increases – or possibly decreases – will vary by institution type, size or research intensity more so than it has in past years.

In addition, the decoupling of print and online pricing could result in significant increases for institutions whose patrons still rely on print copies; some publishers such as the American Chemical Society require print subscribers purchasing print and online versions of the same title to pay full rate for both, while publishers like Wiley have opted to make print copies of some journals only available as a separate print-on-demand purchase.

Major currency markets are also fairly stable at the moment and with the recent “no” vote in Scotland regarding independence, currencies are generally predicted to remain fairly stable through the end of the renewal season for journals; however, future interest rate hikes from European central banks, the upcoming US mid-term election, as well as political and military uncertainty in the Middle East could contribute to economic volatility.

In summary, the potential for changes in the pricing of journals continues to brew. However, the expectation for the upcoming year is that increases will be similar to those in past years at **5 to 7 percent**. We will continue to monitor economic conditions and revise our report if conditions warrant.

### *Currency Impact*

Whenever the value of a customer’s domestic currency decreases relative to major currencies, especially the U.S. dollar, British pound, and the Euro, this is negative news. For example, customers whose invoicing currency is the Euro would likely see price increases above the base increase for U.S. journals if the U.S. dollar were to strengthen. Conversely, a weak U.S. dollar relative to the British pound or the Euro could result in higher price increases for U.S. customers buying material priced by publishers in these currencies.

It is important to note that a relatively small proportion of non-U.S. titles are priced in non-U.S. currencies for the U.S. market. Most of the large international publishers that traditionally have been thought of as “European” now set their prices in U.S. dollars for the U.S. market. Therefore, in more recent times their price increases have been less impacted by the rise and fall of the U.S. dollar. Additionally, the globalization of publishers and the lack of transparency in foreign currency hedging techniques these publishers employ make projecting prices more difficult.

In the table below, *Projected Price Increase by Customer Billing Currency*, an increase of more than 5 to 7 percent reflects an adverse currency impact, and an increase of less than 5 to 7 percent reflects a favorable currency impact.

<b>Projected Price Increase by Customer Billing Currency</b>			
<b>Billing Currency</b>	<b>Journals Priced by Publishers in U.S. Dollars %</b>	<b>Journals Priced by Publishers in British Pounds %</b>	<b>Journals Priced by Publishers in Euros %</b>
Australian dollar	5 to 7	7 to 9	3 to 5
British pound	1 to 3	5 to 7	0 to 2
Canadian dollar	9 to 11	13 to 15	9 to 11
Euro	6 to 8	10 to 12	5 to 7
New Zealand dollar	2 to 4	6 to 8	2 to 4
South African rand	9 to 11	13 to 15	9 to 11
U.S. dollar	5 to 7	9 to 11	4 to 6

### *Conservative Budgeting*

The currency exchange environment is difficult for all to project. As always, EBSCO recommends customers add an additional 2 to 4 percent to the estimated price increases when budgeting to protect themselves from a possible weakening of the currency in which they are invoiced between now and the time subscription payments are made. EBSCO continually communicates with major publishers regarding projected price increases and monitors world currency exchange rates. Should we see major developments in these areas, we will update our information regarding projections.

These price projections are primarily intended for individual print and electronic journals. While we have taken into account the impact of price caps included in multi-year licenses now in effect for so many of our customers, terms specific to a particular customer's license agreements could result in effective spending increases above or below the averages presented in the table.

### *Other Budgeting Tools*

EBSCO provides price projections as one tool in the budgeting process to assist customers in forecasting the effect of future serials costs on their budgets. EBSCO offers other budgeting and collection analysis tools that provide information specific to a customer's collection. Some of the most popular are:

- **The Five Year Journal Price Increase History (2010-2014)** shows price fluctuations over the last five years for typical library lists invoiced in U.S. dollars. Data for each library type is based on a merged list of titles ordered by representative libraries purchasing in U.S. dollars. Each list is based on the actual ordering patterns of the libraries in the sample;

- **The Historical Price Analysis report**, which tracks the retail cost of all titles ordered through EBSCO over a specified period of time and provides percentage-of-change comparisons;
- **The Customized Budget Analysis report**, which provides specific price projections for customers' titles ordered through EBSCO;
- **The Online Availability Report (with estimated prices)**, which lists journals on order with EBSCO that are available online either in combination with or separate from the print subscription (displays each publisher's access requirements and the institutional rate for the online journal); and
- **Collection Development and Assessment Reports**, which allow customers to evaluate the importance of particular titles to their collections.

Please contact the EBSCO Regional Office nearest you for more information about these reports. The Historical Price Analysis report, the Online Availability report, and the Collection Development and Assessment reports are also available directly through EBSCONET.