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Each year, EBSCO strives to help customers plan by projecting publisher price increases for the upcoming year. We use recent information received from both large and small publishers as well as historical price data to calculate these projections. While based upon careful analysis, we recommend that subscribers exercise caution when using these projections as they rely on historical trends and current estimates.

2012 Price Projections

At the time of writing, we expect the overall effective publisher price increases for academic and academic/medical libraries for 2012 (before currency impact) to be in the range of 4 to 6 percent.

Commentary

Since the last publication of this report a year ago, the global economic environment has remained challenged, and our projections indicate 2012 publisher price increases consistent with last year in the mid single digits. Underneath this veneer of consistency, however, much change is afoot in the information industry for both publishers and librarians. These emerging trends are a response to the seemingly permanent economic challenges faced by librarians and publishers as well as the result of new and innovative technologies.

On the library side, budgets remain under extreme pressure, with over 30 percent of librarians forecasting budget decreases of more than 5 percent in a recent EBSCO survey. While recent publisher price increases have trended in the mid single digits, any price increases at all in the current budget environment clearly present difficult purchasing decisions for librarians. To date, librarians have implemented a variety of tactics to bridge the growing budget gap: elimination of print and print plus online formats in favor of electronic-only content, cancelling e-package "big deals" that consume a large part of their content budgets, and reducing overall staffing and service levels. While these tactics have been effective in many cases, librarians are increasingly being forced to consider even more fundamental changes to their purchasing and operating strategies given the accelerating funding pressures. For example, with regard to collection development, librarians are now taking usage analysis more and more into account when making decisions on what to renew and what to cut. This type of analysis is becoming easier to undertake given the new usage products being developed by EBSCO and other companies in the information industry. With these tools, librarians will be able to understand very precisely what content is absolutely critical and what content may be expendable given the dire budget situation. Ultimately,

librarians will use this knowledge to reduce the overall cost of content to match budget reductions while still maintaining the most impactful content for their patrons.

Of course, with this level of usage transparency, analysis, and scrutiny, content quality will be the key factor. This could put further pressure on the “big deal” e-package models. For instance, it seems likely that those publishers with the best content in each discipline will still be able to command pricing power for their top journals. However, it remains to be seen whether they will be able to bundle their second and third tier journals with their top tier journals in order to preserve revenue. What does seem clear is that those publishers lacking top quality content will most likely be in a difficult spot from a pricing and revenue growth perspective, and this may lead to further consolidation in the publishing industry.

In addition to usage-driven content decisions, another emerging trend among librarians is patron-driven acquisition (“PDA”). In effect, this is really just another way to purchase content based on usage, but instead of library staff analyzing data and reports, the decisions are driven by patrons making purchase decisions on a real-time basis. While initiatives in this area are still relatively small when compared against overall library expenditures, the budget crisis is accelerating acceptance of PDA as a viable option for content purchasing. If the PDA trend continues to grow as expected, it will place even more emphasis on content discovery solutions. Much in the way businesses work very hard to improve their rankings in Google’s search results, publishers will need to actively manage how their content appears in the various discovery products available in the marketplace. Publishers will need to focus on maximizing their visibility on these platforms or risk becoming invisible to patrons newly empowered to make purchase decisions.

While usage analytics and PDA are injecting a sense of change in the way librarians are approaching purchase decisions, we expect one constant to remain unchanged in the coming years – publisher price increases. With the rapid growth of mobile devices such as the iPad, the Nook, and the Kindle, publishers are making larger investments in technology to remain relevant in a world where content must be available in multiple formats across many different devices. Publishers clearly indicate price increases are one way to pay for these technology investments. As mentioned above, though, publishers may only be able to effectively raise prices if their content is of high quality. This means publishers will also be looking to develop new titles and acquire existing premium content. Given these industry pressures, it is difficult to envision a scenario in which annual publisher price increases do not return to at least the high single digits for top quality content.

As a final note, recent market volatility in both the United States and Europe indicates that recessionary pressures will likely weigh on global economic growth for the foreseeable future. Some countries with economies driven by commodities are experiencing growth and expansion, but the vast majority of the countries in the developed world are facing flat to down economic forecasts. The message for librarians is that the current depressed budget situation is likely the new normal rather than a short-term aberration. Necessity is the mother of invention, and librarians will need to innovate in order to continue doing more

with less. On the publisher side, the economic outlook means that there will be no rising tide available to give an upward boost to sales and profit. Publishers will have to compete even more aggressively with one another for content and make smart technology investments to achieve sales and profitability targets. With regard to publisher pricing specifically, the economic pressures should keep a ceiling on price increases in the short term, but we believe that publishers with top content will continue to have pricing power no matter the trends in the broader economy.

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 4 to 6 percent reflects an adverse currency impact, and an increase of less than 4 to 6 percent reflects a favorable currency impact.

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

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 (2007 – 2011)** 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 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®.