

An Overview of the Impact of Pricing by Conglomerates on Information Resources in
Academic Libraries

by

H. David “Giz” Womack

LIS 615 Spring 2006

Dr. Bea Kovacs

April 13th, 2006

An Overview of the Impact of Pricing by Conglomerates on
Information Resources in Academic Libraries

Information resources, specifically electronic journals, have risen at an annual rate of ten percent in recent years. (Orsdel and Born 48) These price increases have coincided with the consolidation of information vendors in the marketplace. Serials budgets for electronic journals in academic libraries have not kept pace with these price increases. In 2002, the Association of Academic and Research Libraries listed “Chaos in Scholarly Communication” including, consolidation among publishers, and the rise in popularity of web-based resources, as one of the top issues for academic libraries. (Hisle 715) Many academic libraries are examining their contracts and looking for alternative resources that meet the needs of their users while also being fiscally responsible to the institution. When libraries begin to see projected annual price increases like those of Academic Search Premier, that far out strip budget increases, librarians see a budgeting crisis.

Academic Search Premier	No. of Titles	% of List	2005 Cost	% of Cost	Projected % of Increase	Projected 2006 Cost	% of Cost	Projected Overall % Increase
U.S.	1,230	46.2	\$449	35.4	8	\$485	35	9.3
NON-U.S.	1,435	53.8	818	64.6	10	900	65	9.3

SOURCE: LJ PERIODICAL PRICE SURVEY 2005

Table 1 Orsdel, Lee C Van, and Kathleen Born. "Choosing Sides." *Library Journal* 130.7 (2005): 43-48.

Before examining the current impact of price increases of information resources, it is important to look at the history of some of these conglomerates. Three representative conglomerates in this industry are Reed Elsevier, EBSCO, and ProQuest. Reed developed from a newsprint publisher in the 1890’s and Elsevier in the 1880’s as a publisher of literary classics. The two merged in 1992 and have been acquiring significant numbers of information providers, consolidating the marketplace significantly. ("Reed Elsevier-

History") EBSCO, one of Forbes top 200 privately held companies, dates back to the 1930's, and began managing library subscription services in 1963. ("Ebsco Story") ProQuest, began by Eugene Power in 1930's, was not a print business, but an early innovator in the use of "microphotography." ProQuest's beginnings as "University Microfilms" involved archiving many materials, a tradition that still exists today. ("Proquest: Chronicle of Leadership") These and other information service providers all come to the table to negotiate contracts with varied histories that can help one understand that company's approach to business. Herein lies one of the main problems at the heart of this issues, how to reconcile the conflicting goals of libraries who are trying to meet the needs of the users and conglomerates who are trying to maximize shareholder equity.

An example of the change in information resource pricing models can be seen in the company Reed Elsevier, a major publisher of science and medical journals. Reed released its "Science Direct" product in 1999 that bundled over 1,000 science and medical journals under one price. In 2002 "Science Direct" represented 40% of operating profits. (Goldsmith B1) With annual subscription increases of 7%, many libraries have considered unbundling only to discover that without the discounts of bundling, the unbundled titles do not save significant monies. (Goldsmith B1) When Cornell realized that two percent of its titles were costing 20% of its allocated funds, they found 150 to eliminate. For schools such as Harvard and Cornell, unbundling makes sense as it allows schools more flexibility and choice with their budgets.(Goldsmith B1) Libraries traditionally try to maintain subscriptions to journal titles from year to year. When we add together efforts to maintain subscriptions by libraries and the recent bundling of journal titles by conglomerates, along with steady price increases by these conglomerates

and declining or flat library budgets, we have the elements for the “perfect storm” that has created the current “serials crisis.”

This crisis has not gone unnoticed, with both the governments of the United States and United Kingdom weighing in on the issue. (Orsdel and Born 47) Like the academic institutions that employ the researchers, governments who supply the research grants are concerned not only about paying inflated rates for content but also paying for content twice, once as a taxpayer who helped pay for the research via government grants, and again as an institution buying back access to the research. The United States Congress and the NIH requested that recipients of National Institutes of Health research grants publish their findings in PubMed Central, making them available for free online.

However, lobbying forces prevented this change, making the program voluntary and allowing for a 12 month hold period before the research is posted. (Orsdel and Born 47) In the United Kingdom Parliament agreed with committee findings recommending an open access program for archiving state grant funded research. They stated the current problem came from both rising costs and declining library budgets. However, Parliament also said it was an international problem and the United Kingdom could not act alone. Ultimately, like the United States, the UK has not stepped into the fray except to encourage open access solutions.

The Open Access movement, an off-shoot of the open source software movement, is composed of repositories where fees to cover costs are paid to publish and users have free access to scholarly works. The Public Library of Science, or PLoS, is one of these open access solutions. It is funded by grants and by the fees, up to \$1500, paid by authors to publish in one of its six journals like *PLoS Biology*. (Van Orsdel and Born 48) These

publications are peer-reviewed, and well respected in the science community.

Additionally, materials placed in PLoS are also published in PubMed to ensure they reach the broadest audience possible. This is important as one of the main goals of these open access solutions is to ensure access for all researchers to the research of their peers. OA currently represents only one to two percent of the scholarly journal market, and while small, OA is growing and represents a significant threat to commercial publishers.

Another example of an open access repository is “ArXiv,” a database in Physics which is owned by Cornell and supported in part by the National Science Foundation. (Wysocki A1) Commercial publishers argue that with as little as ten percent of materials submitted to a scholarly journal making it through the expensive peer review process and with publication costs ranging from \$3,000 to \$4,000 per article, open access models are unrealistic. (Wysocki A1) Many academics are more at ease with the current peer review systems of commercial publishers and have concerns that open access solutions would water down this peer review system.

In addition to the Open Access solution, many customers of the conglomerates have pooled their resources into consortia solutions to achieve more competitive prices for information resources. The University of California campuses used their power as a consortium to negotiate a twenty-five percent price cut on 1200 journal titles from Reed Elsevier in 2003. While not everyone has the purchasing power of California, it does illustrate the power of consortia. (Wysocki A1) California had formed their consortium in the late 1990’s and recent budget crises forced them to take a stand on the pricing issues. Library consortia have been around for years, usually to improve access to materials. The

difference today is that many consortia are forming just so libraries can maintain their current levels of access to information resources.

Other states have also formed consortia to share costs among institutions and save money. The Carolina Consortium in North Carolina is composed of 38 schools who conducted deals with three publishers, Wiley, Springer, and Blackwell, to get more journals for less money in most cases. (Bucknall 17) There are a couple of interesting aspects to the Carolina Consortium. First, it has no infrastructure, hierarchy, or funding. Second, it differs from other North Carolina consortia such as NC LIVE in that it does not include all the state's libraries, just those who would benefit from the scholarly journals from these vendors. This consortium benefits both the participating schools and the publishers. Schools benefit by paying a combined 2.5 million dollars for journals that would retail for a whopping 70 million dollars if purchased individually by each school. (Bucknall 20) Publishers benefit getting more institutions into long-term contracts. These contracts ensure steady incomes for the publishers, making their business less volatile. Additionally, these contracts are for e-journals, thus reducing the publisher's printing costs. (Bucknall 20) The Carolina Consortium is a model that could be replicated in other states with numerous institutions and thus has many long-term implications on the current serials crisis.

Another new alternative that has developed in recent years is the tiered pricing model. With tiered pricing, smaller institutions pay less for subscriptions and larger institutions pay more. Many criteria other than size enter the equation when placing an institution in its appropriate tier. Often the Carnegie Classification of Institutions of Higher Education is used to develop tiered pricing. (Hahn 154) While tiered pricing can

benefit smaller institutions, larger institutions that fall into the top tier can experience 100% increases in costs in one year when switching to a tiered model. (Hahn 152)

Additionally, when more subscribers fall into the lower tier, prices go up in the top tier. A closer examination of tiered pricing models like those of the American Physical Society show another side effect for top tier institutions, according to the Association of Research Libraries, research collections are steadily declining while expenditures are increasing at over eight percent annually. For these libraries, increased prices could cause their collections to shrink further. (Hahn 161)

In short, many librarians believe there is a monopolistic crisis among information resources conglomerates. The conglomerates contend they are just doing good business. The academics agree with the librarians, but have concerns about open access solutions for publishing scholarly journals and the governments involved are not yet willing to take the conglomerates to task on the issue. Lastly, the alternatives such as consortia and tiered pricing are serving more as a band-aid than a long-term solution. Ultimately, library budgets will not be able to keep pace with information resources pricing and something will have to give. For many libraries that has already begun in the form of cuts to other materials budgets or cuts to other journal subscriptions. The implications for libraries and researchers are enormous and far extend beyond budget concerns. In the past, libraries held permanent archives of the journals to which they subscribed in the form of old issues. This ensured researchers always had access to the content. Now in the electronic age there are many questions about archiving this expensive electronic content. Librarians have a responsibility to ensure this electronic content is archived in order to meet the

needs of future users. All these numerous questions which lack clear answers remind one of the old curse “May you live in interesting times.”

Works Cited

Bucknall, Tim. "The Virtual Consortium." Library Journal netconnect (2005): 16-18 20.

"Ebsco Story." EBSCO. 2006. EBSCO Information Services. April 2, 2006

<http://www.ebscoind.com/industries/time1.stm>

Goldsmith, Charles. "Reed Elsevier Feels Resistance to Web Pricing." Wall Street

Journal Jan 19 2004: B.1.

Hahn, Karla. "Tiered Pricing: Implications for Library Collections." portal: Libraries and

the Academy 5.2 (2005): 151-63.

Hisle, W Lee. "Top Issues Facing Academic Libraries." College & Research Libraries

News 63.10 (2002): 714-15.

Orsdel, Lee C Van, and Kathleen Born. "Choosing Sides." Library Journal 130.7 (2005):

43-48.

"Proquest: Chronicle of Leadership." ProQuest. 2006. Proquest Information and

Learning. April 2, 2006 <http://www.proquest.com/division/aboutus/>

"Reed Elsevier-History." 2006. Reed Elsevier Group. April 2, 2006 [http://www.reed-](http://www.reed-elsevier.com/index.cfm?articleid=113)

[elsevier.com/index.cfm?articleid=113](http://www.reed-elsevier.com/index.cfm?articleid=113)

Van Orsdel, Lee, and Kathleen Born. "Closing in on Open Access." Library Journal

Library Journal J1 - Library Journal 129.7 (2004): 45-50.

Wysocki, Bernard. "Peer Pressure: Scholarly Journals' Premier Status Is Diluted by Web;

More Research Is Free Online Amid Spurt of Start-Ups; Publishers' Profits at

Risk; a Revolt on Uc's Campuses." Wall Street Journal May 23 2005: A.1.

Honor Code Statement:

I have adhered to the UNCG Honor Code and am aware of no infraction of the Honor

Code. H. David "Giz" Womack