

## Serials Price Projections

2020

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 to assist them in budgeting for the upcoming renewal season. While the serials price forecasts are based upon careful analysis, we recommend customers exercise caution when using these projections as they rely on historical trends and current estimates.

### 2020 Price Projections

At the time of writing, we expect the overall effective publisher price increases for academic and academic medical libraries for 2020 (before any currency impact) to be in the range of 5 to 6 percent for individual titles. It's also important to note the importance of e-journal packages in the information marketplace. With EBSCO transacting almost 20,000 e-journal packages annually and more than half of our sales turnover from e-journal packages, we expect the overall average price increase for e-journal packages, including provisions for mandatory take-over titles, upgrades, etc. to be in the range of 4 to 5 percent.

### Factors that Influence Pricing

Many of the drivers that have influenced the scholarly information marketplace over the past several years remain in place (for example, library budget challenges, Open Access (OA), government mandates, country economic conditions, new assessment and evaluation tools, and alternative distribution networks). Some forces, such as organized piracy, are still a threatening disruption, but the impact to date is difficult to measure. In Europe, OA gained traction this past year with increased demand in OA publications, the negotiation of large Publish and Read as well as Read and Publish transactions and the launch of Plan S, which requires scientific publications that result from research funded by public grants to be published in compliant OA journals or platforms. Plan S is shifting subscription dollars away from libraries and the "reading" or consumption component of information publishing and toward the "publishing" or production side of publishing. In Asia, the Chinese government still asserts influence over academia and its related institutions, including how Chinese authors expose their scholarship to the world, especially as it relates to policies governing OA. This impacts access to core content within and from the country. Population contraction around the world also affects the serials marketplace. For example, South Korea now has one of the lowest birth rates in the world, which means fewer future university students, resulting in the closure or combining of Korean universities and decreased sales for publishers of academic content. The same population contraction trend has also been seen in Europe and is forecasted to eventually emerge in the U.S.

## Impact of the Economy

The U.S. economic outlook is healthy according to key economic indicators. Inflation remains low and American workers are now experiencing sustained real wage gains overall as compared to wage stagnation over the previous decade. Unemployment is at historical lows and is forecasted to continue this trend for the near term. All of this is presumably good news for institutes of higher learning and their libraries' budgets. However, there are unknown factors surrounding the current US-China trade impasse which could pose a threat to future economic growth. Outside the U.S. there are still many areas with continued library budget contraction and heightened economic concern. The European economy is struggling with Germany, Europe's economic powerhouse and by far its largest economy, nearing recession after the country's manufacturing and industrial sectors plunged in the first half of 2019. In addition, Brexit uncertainty could add further pressure on the entire European economy. The new date for the Brexit decision is October 31, 2019. An impending recession in Europe could mean less tax revenues and thereby less education funds for institutions funded by national governments.

## Trends and Challenges

The biggest challenge for librarians regarding journal prices remains the same – library budgets for materials are not keeping pace with publishers' annual price increases which means a decrease in spending power. Big Deals remain the status quo for most academic libraries, despite years of challenged budgets. Though library budgets in many parts of the U.S. show modest improvements, this does not always translate into increases in serials materials budgets. E-journal packages including the so-called Big Deals continue to consume vast amounts of library budgets and therefore the annual increases of these e-journal packages have the most significant impact on the disposition of libraries' budgets. Reworking or outright cancellations of e-journal package deals is becoming more common. In some countries, like Hungary and Finland, national consortia dropped out of select large e-journal package deals. The University of California (UC) System has stated its intentions to restructure its e-journal package deals dramatically, as contracts expire, to align future contracts with UC's budget realities and its stance on OA. To move toward these plans, in February 2019, it was announced that UC was terminating its Big Deal with Elsevier. In short, publishers and other content providers are competing for the same budget dollars. This is nothing new. However, as budget pressures continue, librarians are now more often questioning larger budget expenditures (i.e., the big e-journal packages).

## Open Access and the Unintended Market Consequences

OA continues to gain momentum. OA appeals to a library community dealing with flat budgets who would like to see more content available at no charge. However, the methodology to move to OA is still in flux. Additionally, there is now real worry that a move to OA could mean lower funding for libraries as institutions look to fund the “publishing” side of OA by pulling from library budgets. Today, 85 percent of the world’s scholarly output is still behind paywalls. In Europe, mandated open access gained traction this past year with the German DEAL Publish and Read agreement with Wiley and the launch of Plan S, which requires that, from 2020/2021, research funded by public grants must be published in “compliant” OA journals or platforms. While the same isn’t true in the U.S. and China, an increasing number of institutions are becoming signatories of OA2020, which aims to accelerate the transition to OA.

OA changes how research and scholarship is disseminated and evaluated. One unintended result of a move to full OA based on a Plan S-type approach is that not all models result in decreased cost for dissemination of research. The APC model incentivizes a quantity over quality approach: the more articles published, the more revenue is generated. APCs will continue to rise, or if price caps prevent that, the number of articles published will likely rise, in order for publishers to maintain or grow revenues. At some universities, APCs are funded at the institution, school or departmental level. However, as “publishing” fees and cost begin to increase and “reading” fees begin to decrease with more OA content, universities could begin to pull budget resources away from libraries. And some institutions are discussing restricting access to publishing funds to pay APCs in order to limit spending.

While large commercial publishers may be well positioned to transition to OA, society and not-for-profit publishing organizations appear to be less prepared. Some publishers are concerned that OA may not only damage their publishing program but also the diversity of high-quality journals available. The three publishers that are the market leaders in traditional subscription sales are also the market leaders in APC-funded OA journals; the leading ten OA publishers now hold approximately 75 percent of the global OA market.

The Read and Publish Model, the Big Deal license that bundles together access to a publisher’s subscription content with the ability to publish openly through its journals without paying individual APCs, is also gaining traction versus the APC model. Springer Nature has just signed a Read and Publish deal with the German DEAL consortia, although its prestigious *Nature* titles are not covered. The Royal Society of Chemistry is another publisher that has embraced Read and Publish deals, and Elsevier signed its first deal with Norway recently.

Some believe this model is no less problematic than the Big Deal model with the same large publishers being the ones who can compete for the bulk of the deals and the bulk of the money.

## Currency Impact

It is important to note that only a portion of a library's spend is for material priced by publishers in a currency that is not the library's local currency. The percentage of non-local currency spend varies by country and institution based on the library's collection. For example, less than 5 percent of non-U.S. titles are priced by publishers in a non-U.S. currency for the U.S. market. As a result, currency fluctuations have a very minimal impact on prices for U.S. librarians. Customers in other countries likely have a more significant currency impact due to a higher proportion of their titles being priced by publishers in currencies that are not the customer's currency. For customers in the U.K. and Eurozone countries, generally 40 to 50 percent of their content spend is priced by publishers in their local currencies. Libraries in Canada, Australia, New Zealand, South Africa and other countries generally have much higher ratios of their spend allocated to titles priced in other currencies by publishers and therefore can expect currency fluctuations to have a more significant impact on their prices. 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.

As mentioned above, we are currently projecting price increases for individual titles priced in the publishers' base currencies of 5 to 6 percent. *Projected Price Increases by Customer Billing Currency* shown in the table below are based on currency exchange rates as of this writing vs. exchange rates in late fall of 2018 during the ordering and invoicing season for 2019. An increase of more than 5 to 6 percent reflects an adverse currency impact on the billing currency. An increase of less than 5 to 6 percent reflects a favorable currency impact.

## Projected Price Increases 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 Euros |
|---------------------------|---|---|--|
|                           | %   | %   | %                                      |
| <b>Australian dollar</b>  | 9 to 11                                       | 7 to 9  | 8 to 10                                |
| <b>British pound</b>      | 7 to 9  | 5 to 6  | 5 to 6                                 |
| <b>Canadian dollar</b>    | 6 to 7  | 3 to 5  | 3 to 5                                 |
| <b>Euro</b>               | 8 to 10                                       | 5 to 6  | 5 to 6                                 |
| <b>New Zealand dollar</b> | 11 to 13                                      | 10 to 12  | 10 to 12                               |
| <b>South African rand</b> | 9 to 11                                       | 8 to 10   | 8 to 10                                |
| <b>U.S. dollar</b>        | 5 to 6  | 3 to 5  | 3 to 5                                 |

*\*Customers should consider the amount of their purchases priced by publishers in currencies other than their local currency when applying these estimates to their collection expenditures for purposes of estimating potential overall annual price increases. For example, generally less than five percent of U.S. customers' content is priced by publishers in a currency other than U.S. dollars.*

## Impact of Publishers E-journal Packages on Budgeting

These price projections are primarily intended as a general indication for an “average” academic or academic medical library’s non-e-journal package serials collection. We have separately indicated an estimated price increase for e-journal packages. While we have estimated the impact of annual price increase of multi-year e-package licenses, each library will have different factors to consider related to the impact of their e-packages on their overall serials budgeting. These include the individual annual price increases built into their licenses, the timing of their renewal, requirements related to publishers’ acquiring or disposing of journals, and the percentage of their overall serials spend consumed by e-journal packages. These factors could result in a library’s effective spending increase being above or below the average increase forecasted for e-journal packages above.

## Conservative Budgeting

The currency exchange environment is often dynamic and difficult to project. 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.

## 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 (2015-2019), which 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).
- Collection Development and Assessment reports, which allow customers to evaluate the importance of particular titles to their collections.