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IMHBCO (In My Humble But Correct Opinion): Prices, Models, and Fairness: A (Partly) Imaginary Phone Conversation

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IMHBCO (In My Humble But Correct Opinion)

Prices, Models, and Fairness: A (Partly) Imaginary Phone Conversation

by **Rick Anderson** (Associate Director for Scholarly Resources & Collections, Marriott Library, University of Utah; Phone: 801-721-1687) <rick.anderson@utah.edu>

[Phone rings.]

Librarian: Hello?

Sales Rep: Hello! Robert from Acme Scholarly Journals here. As you know, for the past year we've been working on a new pricing model for our journal package, and now that it's ready my boss and I would like to come visit your library and explain it to you.

Librarian: Things are pretty busy here. Can't you just explain it to me quickly over the phone, or send me the information by email?

Rep: We'd really like to deliver the explanation in person, since the new model is kind of complicated and we want to make sure you and your staff understand it.

Librarian: The thing is, a meeting like that will be very expensive for me. If I'm there with three of my staff, and the meeting takes an hour, that ties up four staff hours — that's half a day's work that won't get done while we learn about your pricing model. At the end of the meeting

we might understand the model, but how does that really help me?

Rep: It will help you because you'll understand why the pricing model is changing and how it works. You'll understand that your new price isn't just a number that we picked out of the air.

Librarian: I'll take your word on that. I'm sure you guys invested a lot of time and thought in coming up with your new pricing model. The thing is, the logic and structure of your pricing model don't ultimately make much difference to me. What matters is the price my library ends up with. If the price is acceptable, then how you guys arrived at the price doesn't matter that much. And if it's not acceptable, then the model still

doesn't matter. Ultimately, all that matters is the price.

Rep: But one of the purposes of our new model is to make pricing more equitable.

Doesn't it matter to you whether we're setting prices fairly across institutions?

Librarian: All other things being equal? Yes, I like fairness a lot. But I strongly suspect that "more equitable pricing across institutions" really just means higher pricing for my institution, and that kind of complicates my feelings about fairness and equity.

Rep: The problem is that some very similar institutions are paying radically dissimilar prices, and we want to normalize the pricing structure.

Librarian: And I have no problem with that, especially if you plan to normalize it by lowering the prices for some of your customers. But I'm guessing that isn't your plan, because if it were, you wouldn't be flying reps all over the country to explain it. No one would ask you to justify a price decrease.

Rep: Actually, the price *will* decrease for some customers — but you're right, in your case the model results in a higher price. It's a price that we feel more accurately reflects the true value of our product.

continued on page 10





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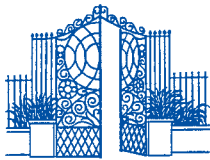
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IMHBCO
from page 8

Library: But in reality, all that means is “We think we can get more money for our product than we’re currently getting.” No vendor or publisher thinks its product is overpriced, any more than I’m likely to think I’m overpaid. When you say you’re making the price more “fair” or more reflective of your product’s value, what you mean is that you’re raising it.

Rep: In your case, that’s true. But we’re not just arbitrarily raising the price of our existing product; the higher price also reflects significant investments we’ve made in improvements to our platform and infrastructure over the past few years. Surely you don’t object to us recouping the significant expense of product improvement.

Library: I don’t object in principle, but the problem is that there’s a real logical gap between investment and value. You can say what you’ve invested, but only your customers can say whether the investment resulted in additional value. What if you’ve improved your product in ways I don’t care about? What if your improvements actually annoy my patrons and staff? Is it fair that I have to pay for changes that are worth nothing to me? What I’d like to do is continue using the old version, at the old price — I don’t suppose that’s an option, is it?

Rep: No. The fact is, we’re not a high-margin company; we really do try to keep our costs low and our prices reasonable, and we can’t support two platforms at once. It would just be too expensive, and ultimately it would drive prices up further for everyone, including

those who are perfectly happy with the new platform.

Library: OK, I can understand that. It doesn’t make me feel any better about paying more for a product that is no more valuable to me that it was last year, though.

Rep: But I think there’s something you’re forgetting: your subscriptions are cumulative. If our product is valuable to you at all, then it does grow in value every year — because the content grows every year. Since we host the content for you, that means our local costs grow every year as well. Do you expect us never to raise our prices?

Library: No — you’re right that it wouldn’t be reasonable to expect prices to stay completely level. But our materials budget was cut last year and is flat this year. We can argue all we want about whether and by how much prices “should” go up; the bottom line is that I have less money this year than last, and with inflation I’ll have even less next year. I also have fewer staff, which is why I can’t invest half a day’s work time in listening to you and your boss explain a pricing model that doesn’t ultimately matter to me. Would you please just send me the new pricing information so my staff and I can figure out how we’re going to deal with it?

Rep: OK, fine. I’m emailing you a document that summarizes the new model and shows your bottom-line price. You should get it in just a second.

Librarian: Yup, got it. [Quickly calculating...] Let’s see: it looks like your model will result in a 40% price increase for my library.

Rep: We realize that the new model will

require some adjustment for you, so we’ve prepared a five-year “glide path.” Your price will go up by a smaller percentage every year until you’ve arrived at the new model.

Library: “Glide path”? That’s not a glide path, it’s a mountain climb. The mountain may be terraced, but still.

Rep: I realize this is a challenge, but that’s the price that the model dictates.

Library: You keep referring to “the model” as if it were a tyrannical third party over which you have no control. What you call “the model” is really just the price, and the price is set entirely by your company. No one is forcing you to increase my library’s price by 40%.

Rep: Well, like I said, this is a price that levels the playing field amongst our customers and better reflects the value of our product. At the price we’re proposing, based on your historical usage patterns, each download will cost you about \$2.50. That seems like a fair price and good value for money, doesn’t it?

Library: Actually, it does. Your journals are heavily used and in high demand here, and \$2.50 per article is a good price.

Rep: So what’s the problem? If you’re getting a good product at a good price, why are we arguing?

Library: Because I can’t afford it. It may be a great deal and a valuable product, but that fact doesn’t make money magically appear in my budget. Value and affordability have no relationship to each other. You could offer me a nice four-bedroom house for \$50,000 and that might be an amazing deal — but if I don’t have \$50,000, it doesn’t matter.

Rep: But I bet you’ve got other subscriptions that offer much lower value than ours do, even at the higher price. Maybe you should cancel some of those to make room in your budget for our journals, which you just said are of high quality and in high demand.

Librarian: That might have been true five years ago, but it’s not true anymore. Due to budget cuts and price hikes like this one, our subscription list is actually shrinking every year, and there’s no longer anything we can cut without significantly hurting out users’ ability to do their research. We have a couple of Big Deals that involve a lot of waste, but we can’t cancel those because the individual titles we need from those publishers would cost us more than the package does.

Rep: Sounds like we’re at a stalemate.

Librarian: No, unfortunately there’s no such thing. If you insist on a 40% price increase, then we’ll have to cancel some of your journals. There’s just no other option. Some of our faculty will be furious, but at this point there’s no choice available to us that won’t make faculty furious.

Rep: We’d really like to come visit you and talk about this some more, maybe help you see why this price increase makes sense.

Librarian: How about this: you guys come and talk to the faculty members whose departments will be directly affected by the journal cancellations that you are making necessary?

Rep: <dial tone>

Librarian: Hello? 🐼

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