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2012 Information Pricing Survey

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Information Managment Services:
Information Management Report

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Why This Topic?

For the last five years, Outsell has conducted research near year's end to provide vendor portfolio managers, publishers, and information providers with directional guidance on anticipated pricing changes for paid content. At this time of year, when managers are finalizing budgets and spending plans, it is useful for both buyers and sellers of information content to look at perspectives and trends impacting renewals and buying decisions. This report provides guidance on pricing benchmarks across key information provider segments against a backdrop of vendor portfolio managers' budgets, current practices, and perspectives in today's climate for buying content.

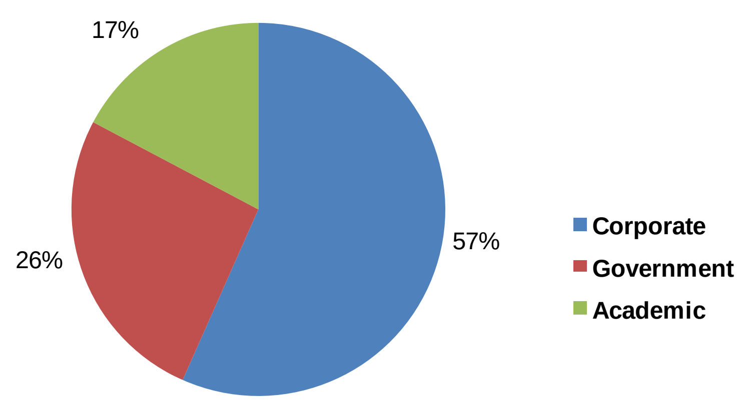
Methodology

The survey examined vendor pricing changes expected for 2012 across 14 information segments. We also asked about information management (IM) content budget changes projected for 2012 and for input on trends, issues, and ideal scenarios with vendors.

The data in this survey comes from questions included in the annual Information Management Benchmark Survey, which was fielded in September and October of 2011 and garnered responses from 446 organizations. Outsell distributed invitations to participate in the web-based survey to several distribution lists and membership associations that are relevant to information professionals, such as SLA, Fedlink, and Library and Archives Canada. This response rate results in a confidence level of 95% ±5% at the total sample level. Please note that sector segmentations for some questions have lower bases (numbers of respondents), which may mean lower confidence levels for those figures. Data with low bases may not be fully representative and should be considered "directional" in nature.

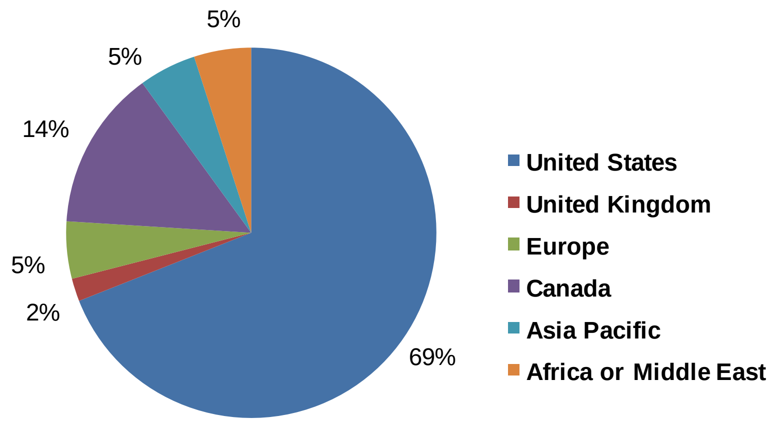
We then augmented this research by connecting with vendors to get a sense of their published price increases and plans for the coming year. This ensured we could triangulate findings. Survey respondents hailed from a range of sectors (Figure 1) and locations (Figure 2).

Figure 1. Respondent Sectors



Base: 446
Source: Information Management Benchmark Survey 2011

Figure 2. Respondent Locations



Base:445
Source: Information Management Benchmark Survey 2011

Key Trends and Findings

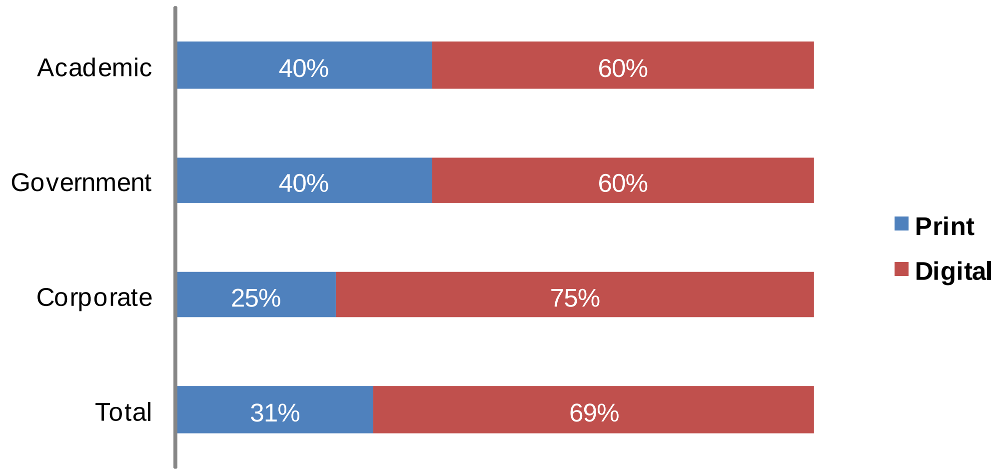
The overall picture from this year's survey shows IM functions with relatively flat content budgets, or budgets increasing by only a few percentage points over the 2011 renewal cycle, coupled with a large proportion of vendors increasing prices. Our 2010 survey showed a similar picture. As Outsell highlighted last year, vendor portfolio managers continue to face tough decisions of what content to keep and what content is no longer worth the investment, as content budgets continue to lag or only just keep pace with price increases.

Content Budgets

Respondents to this year's survey reported an average IM budget of $2.8 million, a 3% increase over 2010. External content accounts for 38% of the total IM budget, which respondents forecast will hold steady into 2012. Respondents have an average of 27 contracts with external vendors, within a range as low as 12 and as high as 55. Most respondents do not expect this number to increase in the next year.

Survey respondents spend a majority of content budgets on digital content (69%), and expect this to increase to 71% in 2012. The comparatively higher number of respondents in the corporate segment is weighting the digital proportion, as both government and academic respondents report a lower percentage of digital content at 60% (Figure 3). All three sectors are spending less on print content, but this shift is happening more quickly in the corporate sector.

Figure 3. Content Spending by Sector, Print vs. Digital, 2011

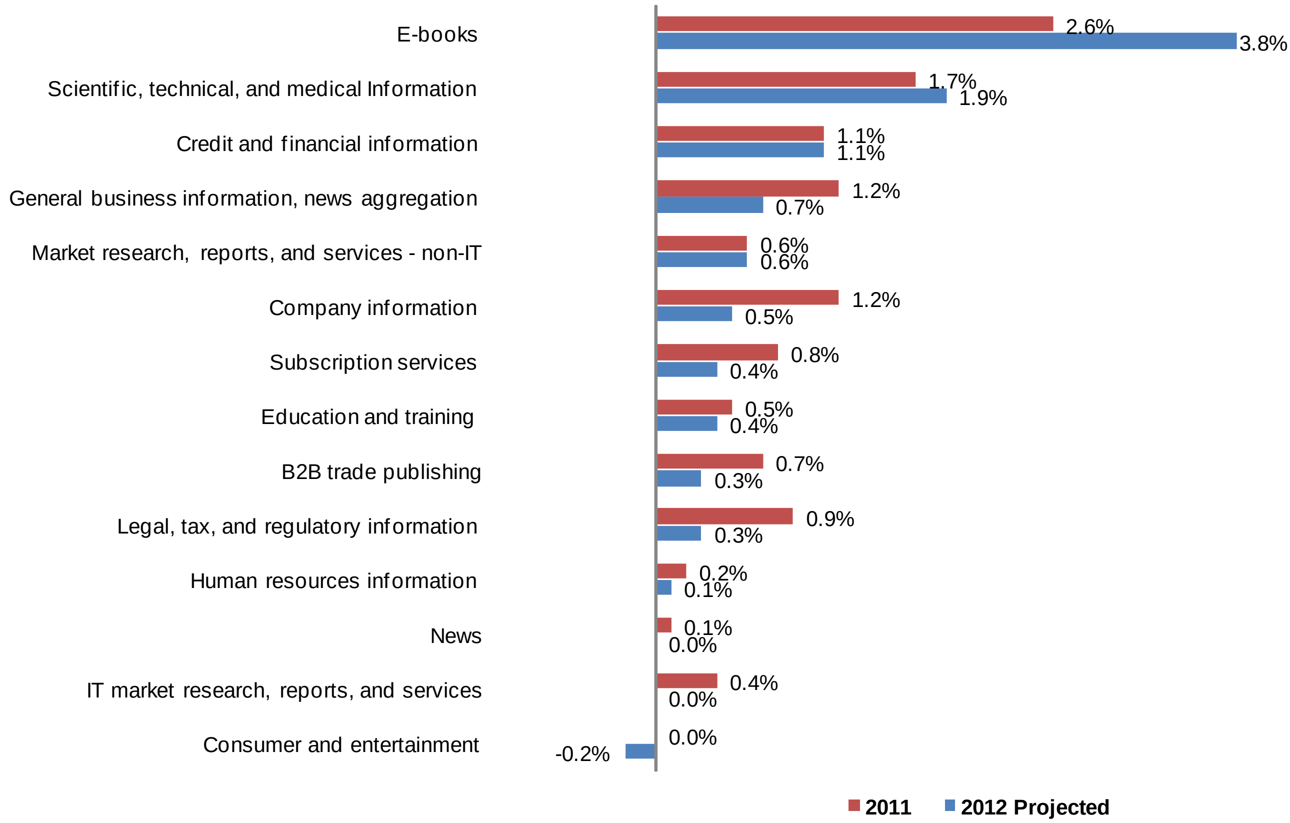


Bases: Total (240), Corporate (138), Government (61), Academic (32)
Source: Outsell's Information Management Benchmark Survey 2011

With little to no budget growth or plans to increase the proportion of content of total IM spending, vendor price increases will mean that some IMs will need to make tough decisions about cutting back or cancelling contracts. Figure 4 gives an indication of what directions those decisions may go. For most content segments, IMs plan to increase spending over the next year. This increase will be most significant for e-books, where IMs plan to spend 3.8% more in 2012, compared to 2011 when they increased spending by 2.6%. The one segment where IMs plan a spending decrease is in consumer and entertainment content, by 0.2% in 2012.

The planned spending in e-books is likely to be mostly in order to keep pace with price increases, rather than to purchase significant amounts of new additional content: Figure 6 shows that e-book prices are expected to increase by 3.1% in the next year.

Figure 4. Spending Changes by Content Types, 2011 vs. 2012



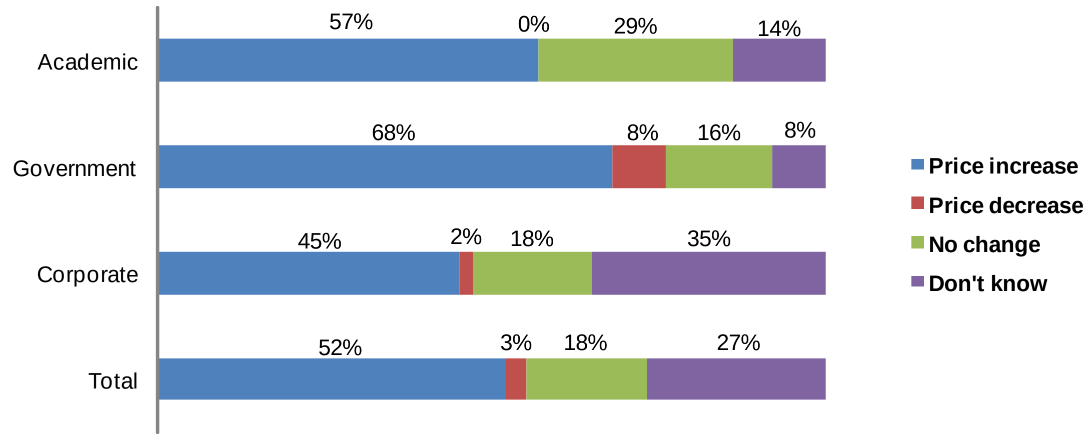
Base: 157
Source: Outsell's Information Management Benchmark Survey 2011

Price Increase Guidance

In this year's survey, we examined pricing changes across 14 information industry segments. Figure 5 shows the extent of pricing changes (increase, decrease, or flat) for the aggregate of vendors across the corporate, government, and academic sectors.

Just over one-half (52%) of survey respondents indicated vendor price increases, while 21% expect prices to decrease or stay the same. A further 27% of respondents were unsure of the direction pricing would take. The preponderance of price increases indicates that this is one strategy vendors will continue to focus on going into 2012.

Figure 5. Vendor Pricing Intentions by Sector



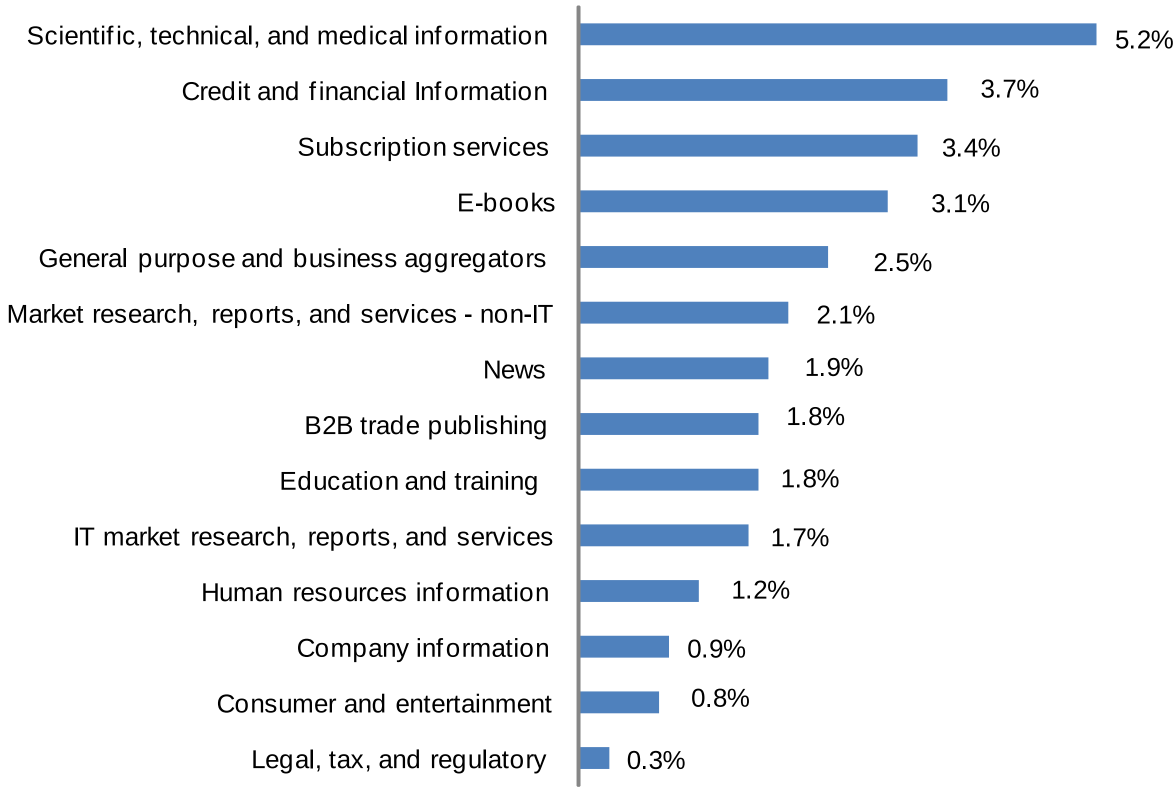
Bases: Total (93), Corporate (60), Government (25), Academic (7)
Source: Information Management Benchmark Survey 2011

Figure 6 shows our survey respondents' expectations for 2011 price changes in the 14 vendor categories that we examined. We sought only a directional view of proposed vendor contract costs; we did not ask whether they were associated with changes in packaging, license, content, or services.

The net pricing change across all vendor categories in our specific set of key vendors was a 2.4% increase – 1.1 points lower than the 3.5% increase indicated in the previous year's survey. However, it should be noted that in this year's survey we asked about 14 more granular segments than the seven in 2010.

Despite this greater granularity, scientific, technical, and medical (STM) information continues to lead the pack in showing the highest overall increase compared to other segments, at 5.2%; in the previous year's survey, STM information also claimed the highest increase with 5.7%.

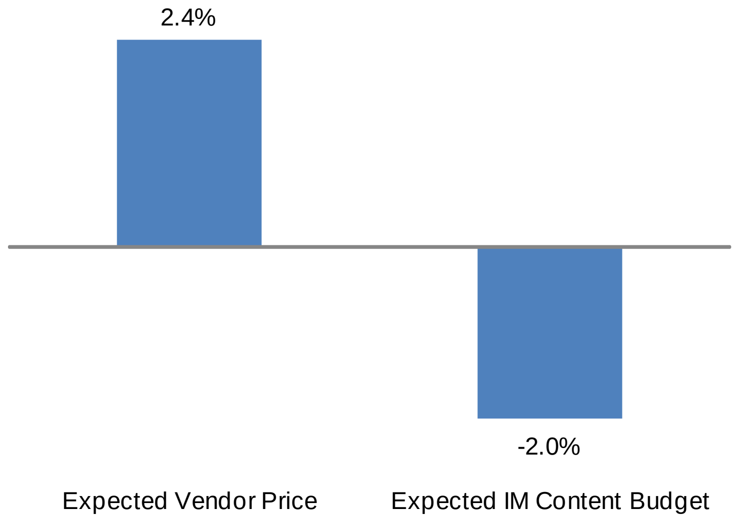
Figure 6. Expected Vendor Pricing Changes by Industry Segment – Directional Guidance



Base: 133
Source: Outsell's Information Management Benchmark Survey, 2011

Though a 2.4% overall content price increase does not at first glance seem to be a major change, enterprise content budgets are moving in the opposite direction: respondents expect to see their content budgets contract by 2% in 2012. For IMs under pressure to cut external content costs, it will be difficult for them to justify maintaining existing levels of content purchasing, and will force difficult decisions over what to keep and what to do without. For companies purchasing content in the segments with the highest price increases, such as STM, credit and finance, subscription services, and e-books, these decisions will be all the more painful.

Figure 7. Relative Projected Changes to Portfolio Costs and Content Budgets, 2012



Bases: 133 (vendor price), 321 (IM content budget)
Source: Outsell's Information Management Benchmark Survey, 2011

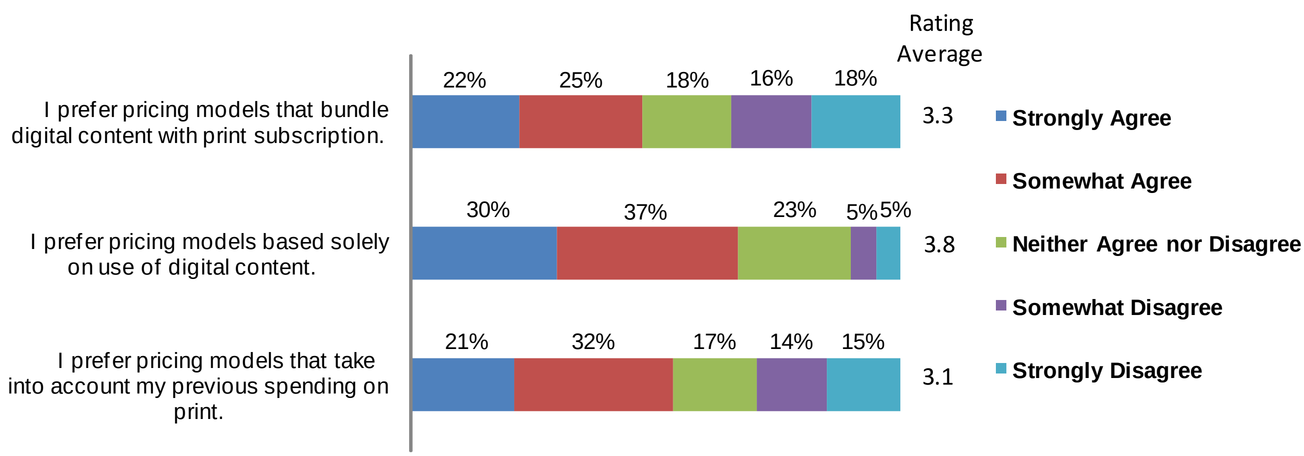
The survey also asked respondents about expected changes from 10 major information providers. Of the 45 respondents who answered this question, 83% expect to increase prices, 5% to decrease them, and 12% to keep prices the same. The 10 providers queried about were:

- Factiva
- LexisNexis/Lexis/Nexis
- ProQuest
- Bloomberg
- EBSCO
- Springer
- Thomson/Thomson Reuters
- Elsevier
- Westlaw
- Ovid

Preferences in Pricing and Usage Models

Respondents present a mixed picture in their preferred pricing models. Overall, the strongest preference is for pricing based solely on digital content use, with 67% indicating either strongly or somewhat preferring this model. However, 10% of respondents disagree with this digital-only model, and 23% are neutral. In fact, 53% of respondents think their digital pricing should mirror their previous spending in print, and 47% prefer pricing models that bundle digital content with print subscription.

Figure 8. Preferred Pricing Models



Base: 182
Source: Outsell's Information Management Benchmark Survey 2011

Above all, respondents would like to see their pricing more closely tied to actual usage, with transparent and competitive pricing. Sixteen respondents expressed their dislike of sudden large increases and would prefer to see more gradual price increases, and fairness is more important to seven survey respondents than getting discounts or loyalty rewards. A few respondents also expressed their dislike of pricing based on number of sites or on past usage – something that Outsell has also heard anecdotally from IMs.

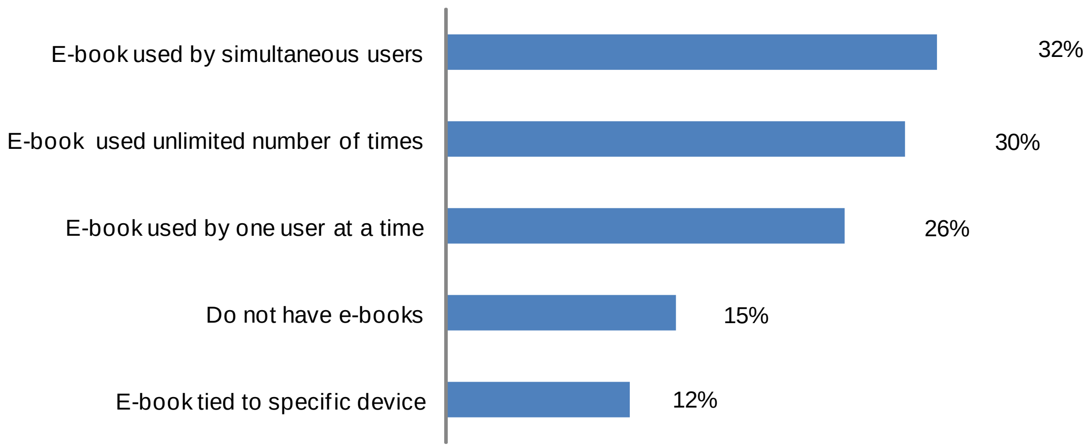
Other items on the IM wish list for vendors regarding pricing include:

- Other contract length options in addition to yearly contracts, such as three-year contracts;
- Enterprise-wide pricing models rather than those based on seats;
- Pricing based on usage rather than full-time employees (FTEs).

There were also comments from respondents in specific sectors wanting vendors to exhibit a better understanding of the issues applicable to their sector. For example, law libraries in law firms purchase for the firm, not for individual attorneys, and government agencies have to follow a specific, highly regimented procurement process.

E-books is one category where respondents expect to increase content spending in the next year, as shown in Figure 4; Figure 9 shows the types of e-book contracts respondents are using. The two most popular models are simultaneous usage (32%) and usage for an unlimited number of times (30%). Not far behind, however, is the one-user-at-a-time model (26%), which tends to be less expensive. In addition, a majority of the 12% of respondents reporting their e-books are tied to a specific device are likely to be supporting Kindle users (Amazon) or Nook users (Barnes & Noble). According to recent figures from IDC, which tracks quarterly worldwide e-reader shipments, those are two of the most popular e-readers worldwide as of September 2011, accounting for 52% and 21% market share respectively.

Figure 9. E-book Usage Rights in Place



Base: 230
Source: Outsell's Information Information Management User Survey 2011

The survey asked academic respondents their opinion about the "Big Deal" pricing model. This model allows academic institutions to purchase an online aggregation of journals from publishers. The academic libraries agree to buy digital access to all of a commercial publisher's journals at a price determined by historical subscription to print materials from that publisher. Some "Big Deals" require multi-year contracts.

Fifteen respondents gave their opinion on the Big Deal. While two respondents noted the advantages the Big Deal offers, such as if multiple new universities are in the same area, several other respondents find the Big Deal harder to justify:

"Very hard to deal with in tough economic times. It's too hard to get minor cost reductions. We have cancelled all Big Deal packages."

"Big Deal in these economic times is not a deal. Perhaps a prorated percent of offering might be better – to select 80% of titles cost $X; to select 50% costs $Y"

The wide range in respondent pricing model preferences indicates that vendors will find it difficult, if not impossible, to find models that satisfy all IMs. Outsell has heard of some enterprises, all in the corporate sector, where 100% of content is digital, but that is not the norm: most enterprises have a mix of print and digital, and this hybrid environment is likely to persist for some time, as are the pricing bundles for print and digital that go with it. However, as digital increases as a proportion of an enterprise's total purchased content, so do the opportunities for vendors to better track usage at the individual level. Outsell regularly hears anecdotes from IMs agreeing with what respondents have stated in this survey: that they want pricing to be more reflective of actual usage, and laid out for them in a transparent way with no drastic increases year on year that can't be tied to usage increases. Several survey respondents reported renewal increases of over 100% compared to the previous year. Such increases, if they are not tied to usage or a large increase in premium content the buyer has requested specifically, are difficult for IMs to justify to their management or procurement and finance departments who ultimately sign off on these deals. Regardless of the pricing models vendors put in place, 100%-plus increases year on year do not convince IMs that vendors are looking to meet their needs and understand the pressures under which they operate.

Preferred Vendor Characteristics

Flexibility was the most frequently cited attribute that respondents reported for their vision of the ideal vendor, particularly in providing customized service packages and bundles. Other desired traits include:

- Responsive – prompt e-mail or phone-call replies in answers to questions;
- Supportive – competent and available when needed, 24/7 if possible, in local languages, and willing to engage in Service Level Agreements (SLAs);
- Willing to partner – knowing what client wants and needs, checking in regularly – not just at renewal time;
- Proactive with metrics – usage statistics, COUNTER compliance;
- Simplicity – in vendor interface, IT requirements, pricing models;
- Well-informed – understands the differences between different types of libraries, for example, how special libraries differ from academic or public ones, differences between vertical sectors, differences between products offered.

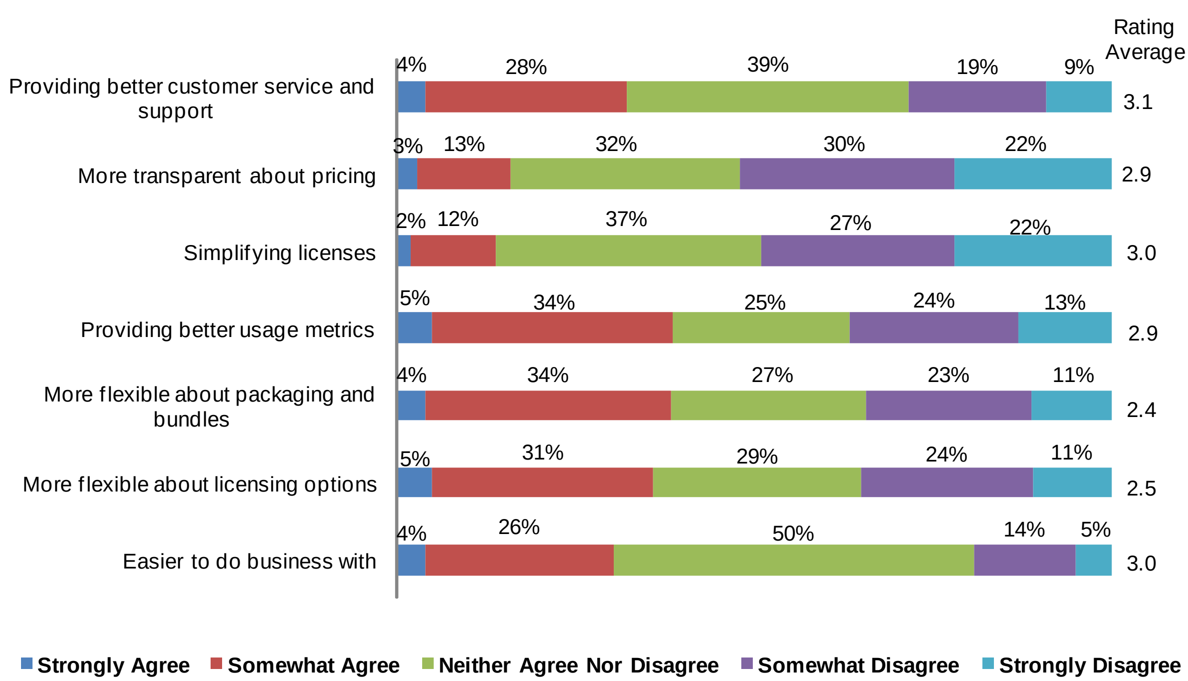
We asked our pricing survey respondents to compare vendors' general performance against a series of attributes since the last renewal cycle (Figure 10). The "Rating Average" shows a weighted score for each attribute, with a score of 5 at the highest end (strongly agree) and a score of 1 at the lowest end (strongly disagree). Buyers gave vendors an overall mediocre mark of 2.9, a level close to last year's survey average of 3.1. Furthermore, while some respondents have seen improvements in a few areas, the ratings for each attribute were down compared to last year's survey. Flexibility on packaging and bundles received the lowest score of all attributes with 2.4, indicating a substantial gap between how much respondents value vendor flexibility versus what they believe they are experiencing in reality.

While Figure 10 also shows that 36% to 38% of respondents report seeing more flexibility in packaging and licensing options from vendors compared to their previous renewal cycle, and 39% of respondents are seeing better usage metrics, pricing transparency and customer service and support fare less well, and half of respondents felt that vendors were no easier to do business with this year compared to last.

"Customer support that is responsive, helpful, and a human contact – not an online form to fill out and wait days for a response."

". . . live, knowledgeable customer service that communicates in the local language and has a complete understanding of the product."

Figure 10. Vendor Experience Compared with 2011 Renewals



Base range: 179-186
Source: Outsell's Information Management Benchmarks Survey 2011

The fact that survey respondents from year to year are not seeing any notable improvements in their experience with information vendors indicates a large gap between the worth and quality of what vendors offer compared to what information buyers most want and need from them. Both sides will need to consider how to narrow that gap as long as enterprise budgets stagnate or decrease.

The Vendor Perspective

Today's marketplace continues to be challenging for vendors as well as buyers. We see several key drivers of vendors' decisions to implement price increases on products they sell to end-users and to enterprise content buyers, libraries, and information management functions.

The innovation imperative. This continues to be a major driver of vendor investment. In the largest information markets, slow growth and flat or decreased buyer budgets means that vendors need to invest in finding new ways to meet customer needs. In order to enable content delivery to multiple device brands and form factors, or to build workflow tools and plug-ins into information products so that end-users can customize the way they consume content, vendors need to ensure they have the right people, technology, and partnerships in place.

Emerging markets coverage. Global enterprises have a vast hunger for high-quality in-depth information about emerging markets, particularly those that have bucked the economic downturn and are growing fast, such as the BRIC countries (Brazil, Russia, India, and China). However, becoming a credible provider of emerging market information requires establishing some form of local presence in the countries covered. This can come with a high price tag in countries where the cost of doing business is high due to a lack of local employees with the right skill sets, onerous red-tape and bureaucracy to navigate, and difficulty in identifying reliable local partners. In addition, established information providers in developed markets who want to gain share in emerging markets may need to acquire local players or build complex partnerships with elites who are gatekeepers to the business community.

Content commoditization. Content digitization and the distribution opportunities the internet offers means that information that was once difficult and expensive to collect and distribute is becoming widely available for low or even no cost. An example is in the company information segment, where basic contact data is becoming commoditized. The leaders in this segment now sell many more workflow tools and integration services, such as APIs to connect with customer relationship management (CRM) systems like Salesforce.com, first-person relationship mapping, or human resources tools for recruiting and recruiting management.

Imperatives for Information Managers

✔ **Avoid Assuming Digital Should be Cheaper than Print**

Outsell has heard from some IMs that because vendors are no longer investing in physical printing and distribution costs, online information should be cheaper than print. However, in order to product digital content, vendors must invest in software development, data storage, and other less tangible areas. IMs need to consider pressing vendors for more information on what added value is built into the digital product, such as better usage tracking, the ability to share and collaborate, and so on. Offering to beta test new online products is a possible way to give vendor feedback on the usefulness of new product features.

✔ Check That Requests to Vendors are Clear and Complementary

Some respondents reported that their ideal vendor would offer transparent, published pricing, while others expressed a wish for more flexibility with bundles and customization. To expect a vendor to do both these things at once for the same product, however, is a tall and unrealistic order, for information product customization takes additional vendor resources, which add to the cost on the vendor's part that can't be calculated into standard pricing by its very nature of unpredictability.

✔ Volunteer to Test Drive

Many vendors welcome customer input on product development, and the opportunity to test a new product or revamped version of an existing product provides a valuable opportunity for IMs to give constructive feedback to vendors' product managers. It also helps to develop more of the partnership that several respondents reported they would like to see more of from vendors. In last year's survey, Outsell pointed out that partnership is a two-way street, and helping vendors to fine-tune their products is one way to do this.

Related Research

See our additional coverage of this segment, available at
http://www.outsellinc.com/information_managers

These reports are available to Outsell subscribers.

Reports

Information Management Trends and Benchmarks 2011 (December 15, 2011)

2011 Information Management Pricing Survey (December 14, 2010)

End-User Update: 2011 Overview for Information Managers (April 27, 2011)

Procurement Professional's Survey: Procurement's Perspective on Content Purchasing (February 14, 2011)

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