



information delivery

LM Information Delivery

Price

Projection

2012



information delivery

Table of content

1. ECONOMIC SITUATION	3
2. EXCHANGE RATES.....	4
3. PUBLISHER PRICE PROJECTION 2012.....	6
4. SUMMARY.....	8

Dear Customer,

You are holding LM Information Delivery's first price projection for 2012.

The past year has been highly eventful for the economy and it appears that economic turbulence will also continue into the autumn and the coming winter. There are many uncertainties, because the United States, Europe, Asia and the Arab countries are experiencing their own continuing problems, which are having not only a national but a global impact. Although national economic factors do not directly affect publishers' prices, they have an indirect impact through fluctuations in exchange rates. The state of the national economies will, however, have a direct impact – once again – on available budgets.

In this price projection, we aim to give as comprehensive a picture as possible of the current situation. It should be remembered, however, that the situations of particular libraries may be very different, and price increases and exchange rate changes may affect customers in very different ways.

1. ECONOMIC SITUATION

Global economic growth is currently slowing due to, among other things, the high price of energy. The natural disaster in Japan this spring, the slowing of growth in the number of new jobs in the United States and continual speculation on the future of the euro area have also overshadowed growth prospects. According to the latest forecasts, the world economy will grow by 4.1% this year, which is significantly lower than in 2010, when growth was close to 5 %.

In the United States, the number of new jobs grew in February-April by around 250,000 jobs per month. In May the number of new jobs fell sharply to only 83,000. The natural disaster in Japan placed the country in practical terms back into recession. The generally used Purchasing Managers' Index, moreover, indicates that the economy is faltering in the United States and Europe, and even in China. The economic situation in Europe is exacerbated by the economic problems of Greece, and the unrest under way in the Arab states should not be underestimated.

During the next year and a half, a general tightening of monetary and fiscal policy is expected. The level of interest rates is already rising, as politicians struggle with inflation pressures; tight economic programmes have been outlined in Europe, and there is opposition to public spending growth in the United States. Economic forecasts suggest, however, that the world economy is not heading for a new recession; a temporary dip is more likely.

In the euro area, economic analysts predict that a fundamental restructuring of Greek debt is only a question of time and that this will take place in 2012 or 2013. Despite the debt crisis, the euro area economy has performed reasonably well; the economy has grown at least satisfactorily in the first half of this year. It should be stated, however, that the engines of growth have mainly been the core economies of the euro area, such as Germany and France.

Finland

The Finnish economy is growing in line with expectations, but is still slightly below its pre-recession level. In the first quarter of 2011, growth was 5.5 % compared with the previous year. Exports have grown by 15.9 % in a year and imports by 12 %. Private consumption grew by 2.3 % per year.

Sweden

The Swedish economy grew according to expectations in the first quarter, boosted in particular by export and investment growth. First-quarter GDP growth was 6.4 % higher than the previous year. Despite high growth, the economy has begun to show signs of slowing, due in particular to a weakening of external (export) demand.

Norway

First-quarter growth was 0.4 % higher than the previous year. Growth was adversely affected by a fall in production of oil and gas. Excluding oil and gas products, growth was 0.6 %, of which most came from the service sector.

UK

During the six-month period up to the end of March, UK GDP did not grow at all and the annual rate was only 1.8 %. The economy is still 4.1 % below the pre-recession level and is the third weakest among the G7 countries, after Japan and Italy.

2. EXCHANGE RATES

Exchange rate changes may have a bigger influence on the final price of a subscribed journal than the publisher's price increase. Exchange rates are unpredictable and their impact on the final price is impossible to predict.

Foreign exchange markets have moved as investors have tried to determine the rate and extent of the slowing of the world economy. The US dollar, which strengthened at the beginning of May against the euro and other currencies, weakened at the end of May. An earlier downslide of the dollar had begun in mid-February, with the currency reaching its weakest point at the beginning of May.

The foreign exchange markets are influenced by many mutually dependent factors. One factor in recent times has been risk-on/risk-off trading. In risk-on trading, dollars are sold and higher-risk asset items, such as equities and rising-market bonds are bought. In risk-off trading, on the other hand, the above-mentioned items are converted back into dollars. Since last July, the trend has been one in which investors have favoured risk-on trades.

By mid-February, the world economy began to show signs of strengthening. This, moreover, encouraged investors first to borrow and then to sell dollars in the market and to invest the money in higher-risk investments. This development began to weaken the dollar and was further reinforced by two other factors: a political solution was found to the euro area crisis when a stability package covering the crisis countries was formulated, and the European Central Bank raised its benchmark interest rate in April. The latter step widened the interest rate differential between the euro area and the United States and, in turn, weakened the dollar.

At the beginning of May, investors suddenly switched to risk-off trades, which had the immediate impact of strengthening the dollar. The general optimism of February-March about the recovery of the world economy began to recede, and high energy prices heightened concern about slower growth. Weaker, than expected, economic data from the United States and China reinforced this trend.

The later renewed weakening of the dollar is partly due to uncertainty in the world economy: is the economy really weakening again or is this merely a slight dip? Until certainty on this issue is obtained, investors in the foreign exchange markets will alternate between risk-on/risk-off trading. The value of the US dollar is also impacted by two other factors: the first is the yield differential on investments between the United States and Germany, and the second is the development of the euro area debt crisis.

Forecasts of the development of the US dollar and euro exchange rate differ greatly. Forecasts agree, however, that the dollar will strengthen against the euro towards the end of this year. Forecast values for December 2011 vary between 1.235 and 1.41.

During the next six months the euro is also expected to weaken against the pound, and the exchange rate is projected to be at a level of €1.17 = £1 at the end of the year.

The pound is expected to strengthen against the dollar and the year-end exchange rate is expected to be \$1.65 = £1.

Markets generally over-react to negative news, and exchange rates commonly take a few days or a week to find their correct level. Large amounts of capital not linked to trade or flows of goods are transferred within the global market. Such transfers are purely speculative in nature, but they can cause huge swings in exchange rates.

The following table shows how the most important currencies for LM Information Delivery customers have fluctuated against the euro during the past year and since the beginning of November 2010.

	USD	GBP	SEK	NOK
28 June 2010	1.2339	0.82	9.5584	7.937
November 2010	1.3661	0.8551	9.3166	8.1463
28 June 2011	1.4261	0.88855	9.1802	7.7825
On an annual basis	-15.6 %	-8.4 %	4.0 %	1.9 %
Since November	-4.4 %	-3.9 %	1.5 %	4.5 %

The table shows that the euro has strengthened significantly against the US dollar since last June, but only modestly since November 2010. The British pound has followed a similar trend. The Nordic currencies, on the other hand, have weakened against the euro, although modestly.

November is an interesting review point, as it is during November that subscriptions payable in advance (i.e. subscriptions payable in connection with the order) must be paid.

Attached to the price projection are tables showing the exchange rate development of the main currencies over the past year (1.7.2010 – 30.6.2011).

3. PUBLISHER PRICE PROJECTION 2012

At the time of writing (end of June 2011), the pricing data we have received from publishers is insufficient to give an accurate price projection for 2012. Therefore, in this first version of the price projection, we focus on examining historical price trends.

The following table shows how journal prices in different currencies have evolved since 2007.

Year/currency	USD	GBP	SEK	EUR (Swedish)	NOK	EUR (Finnish)	EUR (other)
2007 --> 2008	10.27%	6.44%	6.11%	2.35%	7.25%	4.27%	6.48%
2008 --> 2009	9.53%	8.66%	4.72%	3.32%	7.07%	4.53%	6.75%
2009 --> 2010	5.95%	5.20%	4.65%	2.76%	5.51%	2.31%	5.65%
2010 --> 2011	5.71%	5.36%	3.35%	8.43%	2.97%	3.35%	4.58%
Average	7.87%	6.42%	4.71%	4.22%	5.70%	3.62%	5.87%

It is interesting to note that price increases from 2010 to 2011 have continued to be more modest than in previous years. Publishers are evidently still exercising restraint in pricing due to the uncertain economic situation. The table figures are average change percentages, however, and price changes for individual journals may have been larger. For example, the prices of USD-denominated journals changed in the range – 25% – +50 % from 2010 to 2011.

Continually rising publication prices are presenting difficulties for libraries as their funding allocations are simultaneously being reduced. In Finland, a reduction of funding allocations has meant the closure of branch libraries as well as the cutting of publication numbers, thereby leading to the discontinuation of orders for titles for which there is little demand and a shift of focus towards the most important and most popular titles. One course of action has been cross-border cooperation between municipalities, for example allowing the library cards of municipality X to be used in a neighbouring municipality. It is understandable, of course, that publishers have to increase their prices as a result of higher salary or production costs, but simultaneous cuts in funding allocations have adversely affected the situation.

The continuing economic downturn combined with new electronic options has also intensified consumers' interest in various kinds of electronic content. Before the arrival of electronic resources into libraries, the budgeting of ordered publications was fairly easy: each single published journal had one price. Nowadays, the spectrum of different pricing models is almost endless: printed publication, printed (including a free on-line version), printed (option of on-line version for an additional fee), printed and payable on-line, and also the on-line version only.

On-line products have introduced as a pricing model the practice of incremental pricing, in which the product price is determined, for example, according to the number of users. Accordingly, a large library in terms of user numbers pays more for a publication than the library of a small community. A trend initiated in recent years, in which publishers combine their publications into various packages, seems to be continuing. It can be expected that the price of such publication packages may change significantly more than the projected average change in price. Our customers should take into account that the pricing criterion of such packages may be something other than the number of publications included in the package. The pricing criterion may, for example, be based on usage statistics, content changes made by the customer etc.

As in previous years, LM Information Delivery recommends that its customers monitor the usage rates of their electronic resources. Usage rate monitoring will help the customer determine what the price of a single title in a package actually is per single use and whether the package solution overall is a cheaper solution than individual title orders. Similarly we further urge those customers who have licensed package solutions for 2012 to familiarise themselves with the licensing conditions of these packages, particularly in terms of their pricing criteria.

Different pricing models do not, however, overcome the fact that faced with increased prices and reduced budgets, libraries must devise new solution models in order to serve their customers. New opportunities are being offered by PPV (pay per view) and Open Access products. Open Access in particular has developed in all respects into an advantageous publication channel. This, moreover, has also been noticed by traditional publishers, who are favouring the inclusion of the most successful OA publications into their own subscription packages. It is also worth mentioning, however, that some of the leading scientific publishers, for example Nature, offer a large number of their e-journals on the OA principle.

The entry of various mobile devices into the market has aroused the interest of publishers. The popularity of different tablet computers and smartphones will continue to grow, and it is even projected that tablet computers will already be outselling traditional desktop computers by 2013. We read daily how various newspaper and magazines announce that they will also launch a mobile version of their publication.

Use of library services is also transferring increasingly into the user's palm. With mobile devices, one can easily access on-line the same library applications that one previously accessed from one's own computer. Mobile technology gives users the opportunity to log in to a virtual library and to borrow and read e-books and e-journals regardless of time or place.

For libraries, the widespread use of mobile devices creates new challenges, because supporting access for such devices requires investment. Hopefully publishers will understand that in order to maintain their competitiveness, they must offer a mobile version as part of the normal price of the product. In any case, we are now moving towards a situation in which library users can access services anywhere and at any time, and

in which e-resources are assumed to be part of basic services rather than new products or a generators of added value. This will benefit users, libraries and publishers if a reasonable price level is set.

Although currently some publishers have already announced that they will keep their 2012 prices at this year's level, prices will also rise next year. The price of public magazines is expected to rise by 5-7% and the price of scientific journals by 7-9%. This only takes into account the rise in publisher prices and does not include the impact of foreign exchange rates. If, as forecast, the US dollar begins to strengthen against the euro, prices of publications denominated in dollars will rise correspondingly.

This price projection is intended for customers of LM Information Delivery, to assist with their budget planning. LM Information Delivery accepts no responsibility for the accuracy of budgeting decisions made by customers on the basis of this price projection. All of the price increase estimates presented in this price projection are average estimates, and the actual price changes may deviate considerably from these estimates. Customers may use this projection in their budget planning at their own risk.

LM Information Delivery does not act as a legal, financial, accounting or tax advisor.

4. SUMMARY

Uncertainties in the world economy appear to be continuing. This is reflected in a slowing of national economies. In these conditions, pressures are also growing on libraries and their purchases. At the same time, various electronic options are coming onto the market which, on the one hand, may facilitate libraries' financial pressures but, on the other hand, might require expensive investments.

It appears that publishers' price increases will remain within typical ranges, namely 5-7% for public magazines and 7-9% for scientific journals. These increases do not, however, take possible exchange rate changes into account, for which provision should always be made.

ATTACHMENT. Exchange rate development of main currencies in the period 1.7.2010 – 30.6.2011.

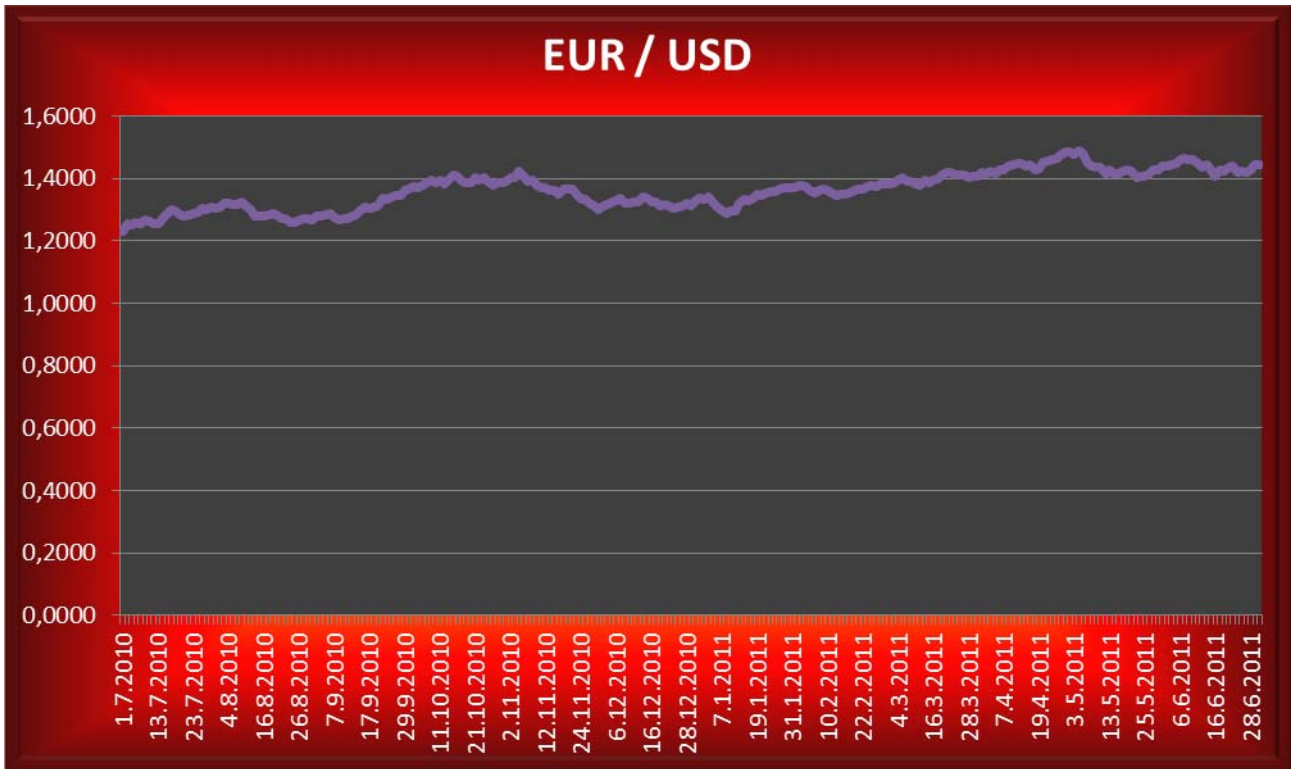


Figure 1. Euro vs. US dollar 1.7.2010 – 30.6.2011. During the period, the euro has strengthened 17.2%. In the period 1.11.2010 – 30.6.2011 the euro has strengthened 3.8%.



Figure 2. Euro vs. GB pound 1.7.2010 – 30.6.2011. During the period, the euro has strengthened 9.8%. In the period 1.11.2010 – 30.6.2011 the euro has strengthened 4.1%.

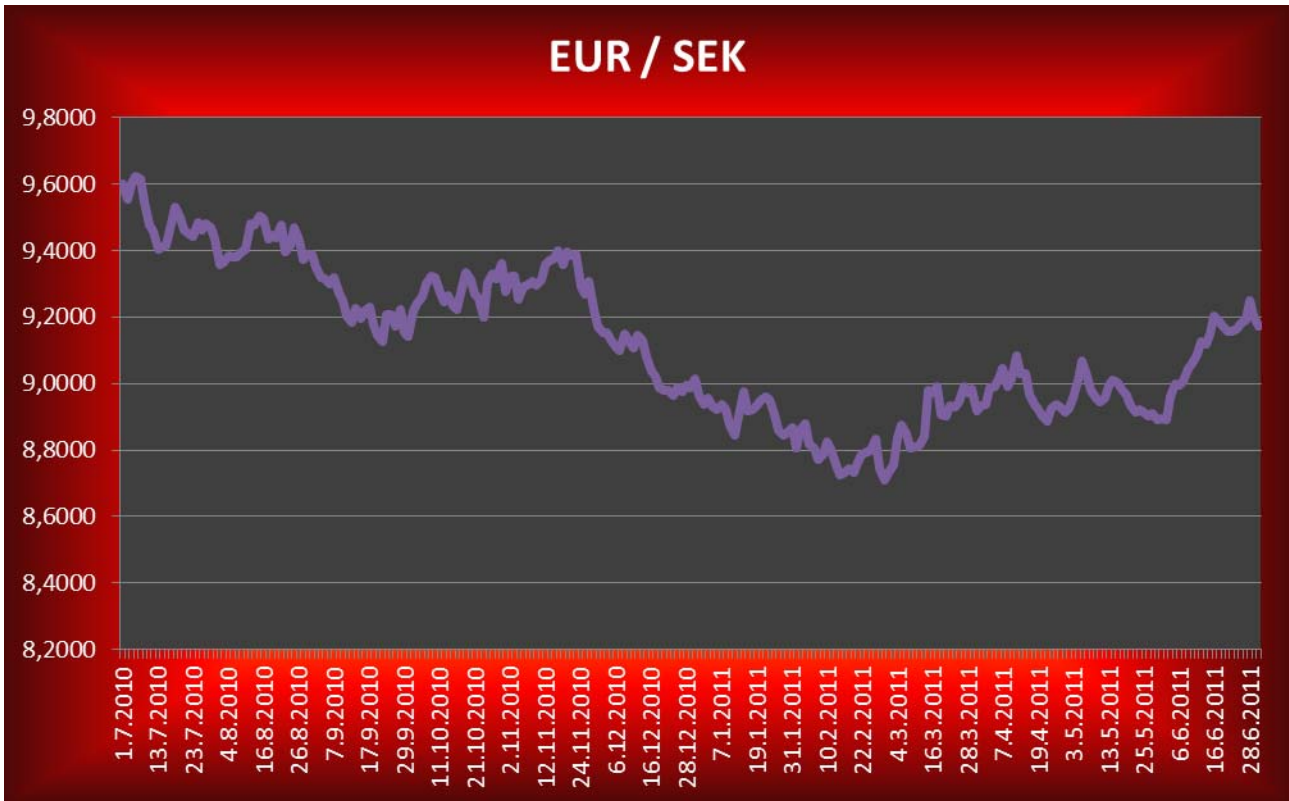


Figure 3. Euro vs. Swedish krona 1.7.201 – 30.6.2011. During the period, the euro has weakened 4.5%. In the period 1.11.2010 – 30.6.2011 the euro has weakened 1.1%.



Figure 4. Euro vs. Danish krona 1.7.2010 – 30.6.2011. During the period, the euro has strengthened 0.1%. In the period 1.11.2010 – 30.6.2011 the euro has strengthened 0.02%.



Figure 5. Euro vs. Norwegian krone 1.7.2010 – 30.6.2011. During the period, the euro has weakened 3.6%. In the period 1.11.2010 – 30.6.2011 the euro has weakened 4.7%.

ATTACHMENTS (Swedish customers) Exchange rates are weekly averages. November starts from week 44.

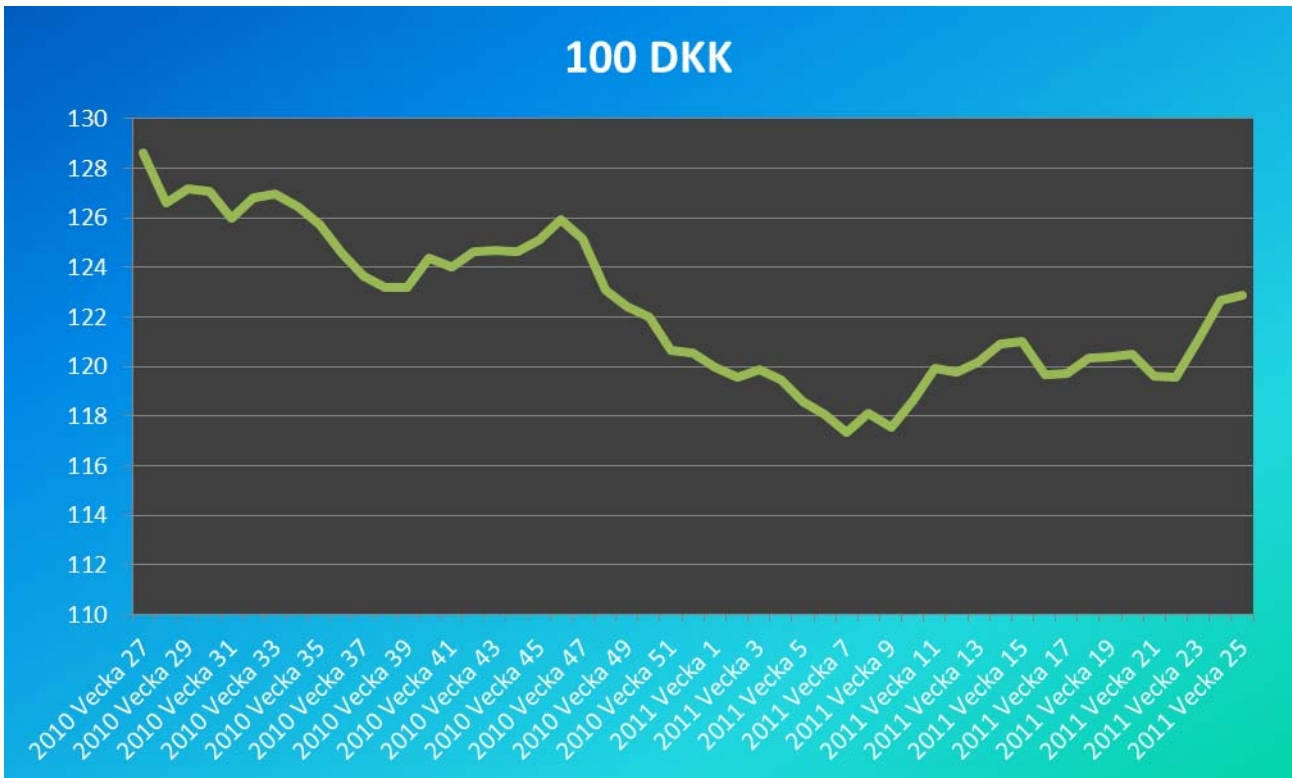


Figure 6. Swedish krona vs. Danish krone 1.7.2010 – 30.6.2011. During the period, the Swedish krona has strengthened 4.5%. In the period 1.11.2010 – 30.6.2011, the Swedish krona has strengthened 1.4%.

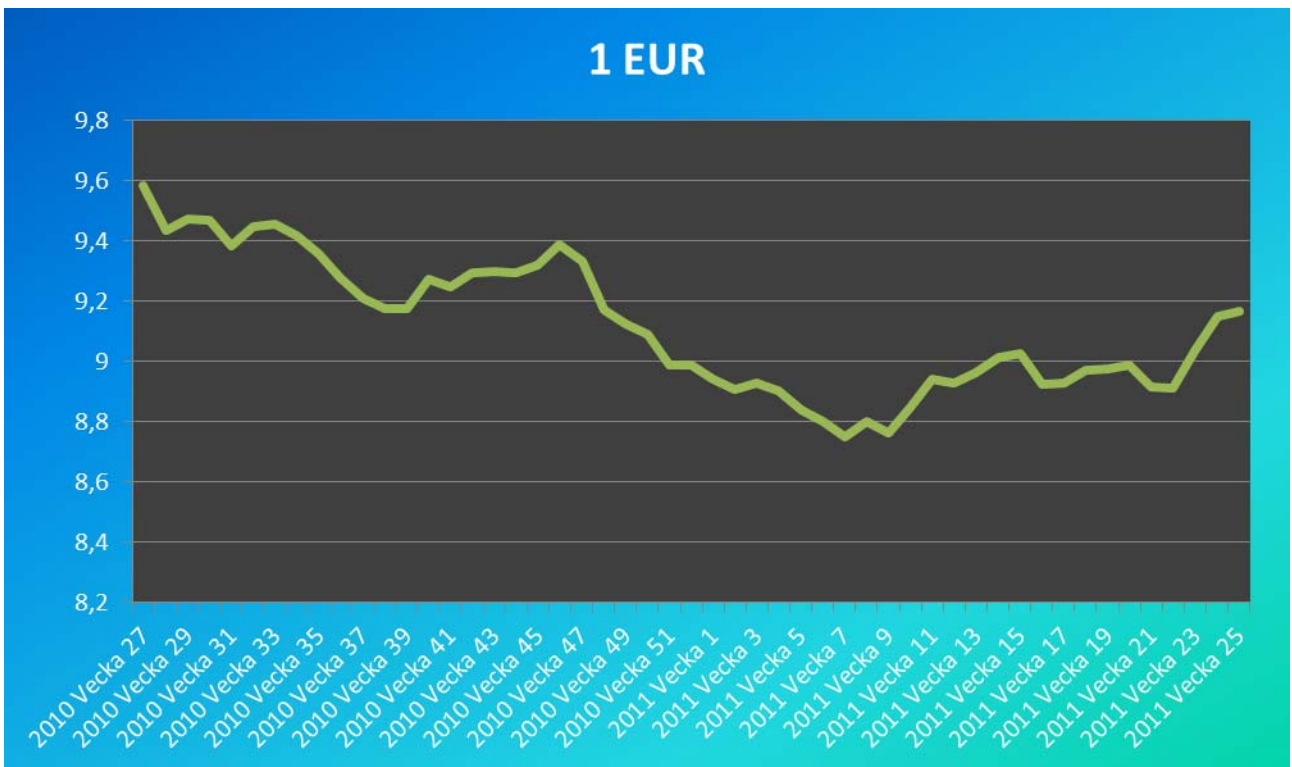


Figure 7. Swedish krona vs. euro 1.7.2010 – 30.6.2011. During the period, the Swedish krona has strengthened 4.4%. In the period 1.11.2010 – 30.6.2011, the Swedish krona has strengthened 1.4%.

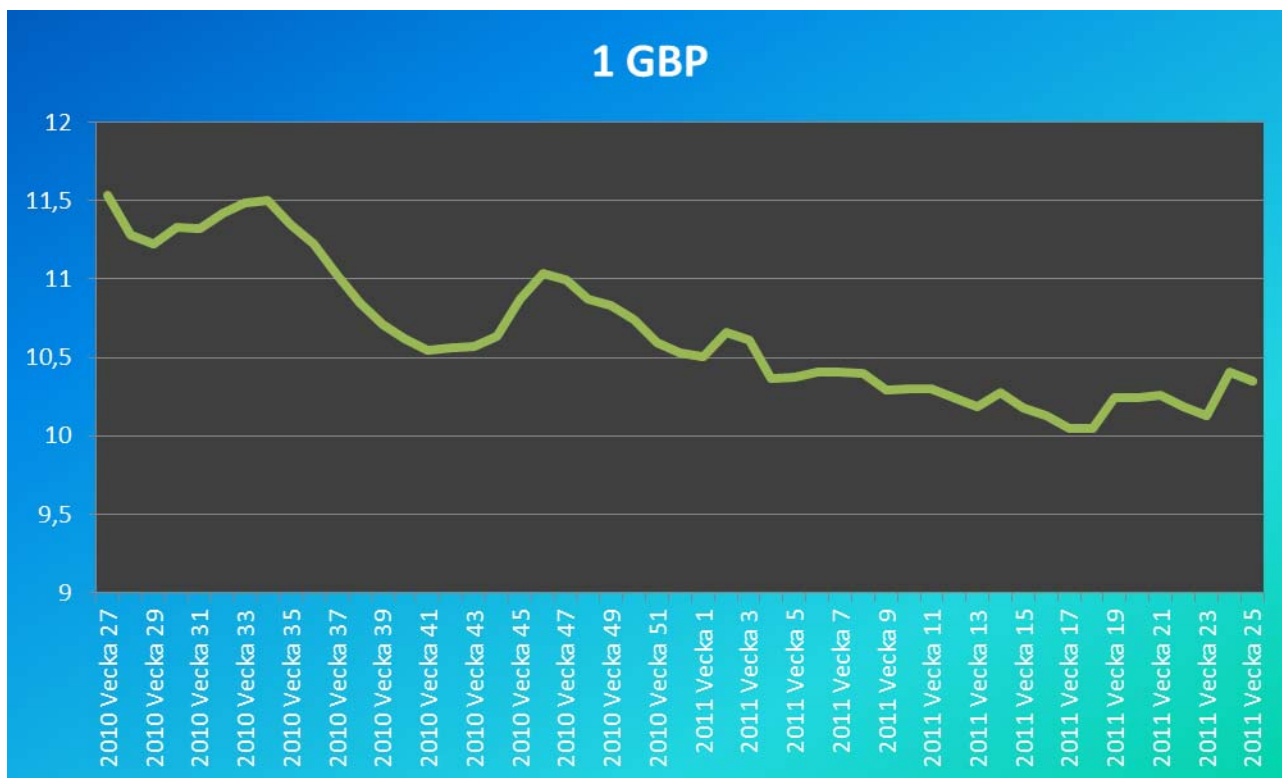


Figure 8. Swedish krona vs. GB pound 1.7.2010 - 30.6.2011. During the period, the Swedish krona has strengthened 10.3%. In the period 1.11.2010 – 30.6.2011, the Swedish krona has strengthened 2.7%.

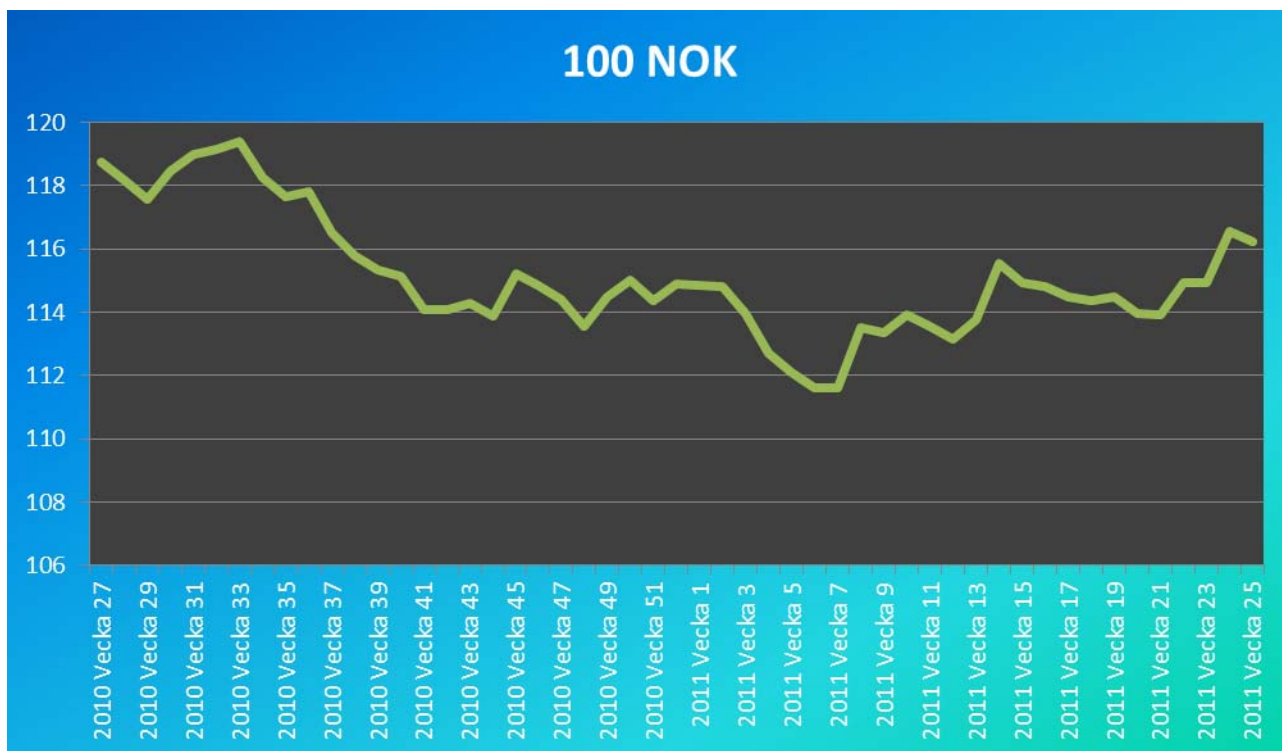


Figure 9. Swedish krona vs. Norwegian krone 1.7.2010 – 30.6.2011. During the period, the Swedish krona has strengthened 2.1%. In the period 1.11.2010 – 30.6.2011, the Swedish krona has weakened 2.0%.



Figure 10. Swedish krona vs. US dollar 1.7.2010 – 30.6.2011. During the period, the Swedish krona has strengthened 15.8%. In the period 1.11.2010 – 30.6.2011, the Swedish krona has strengthened 3.0%.

ATTACHMENTS (Norwegian customers).

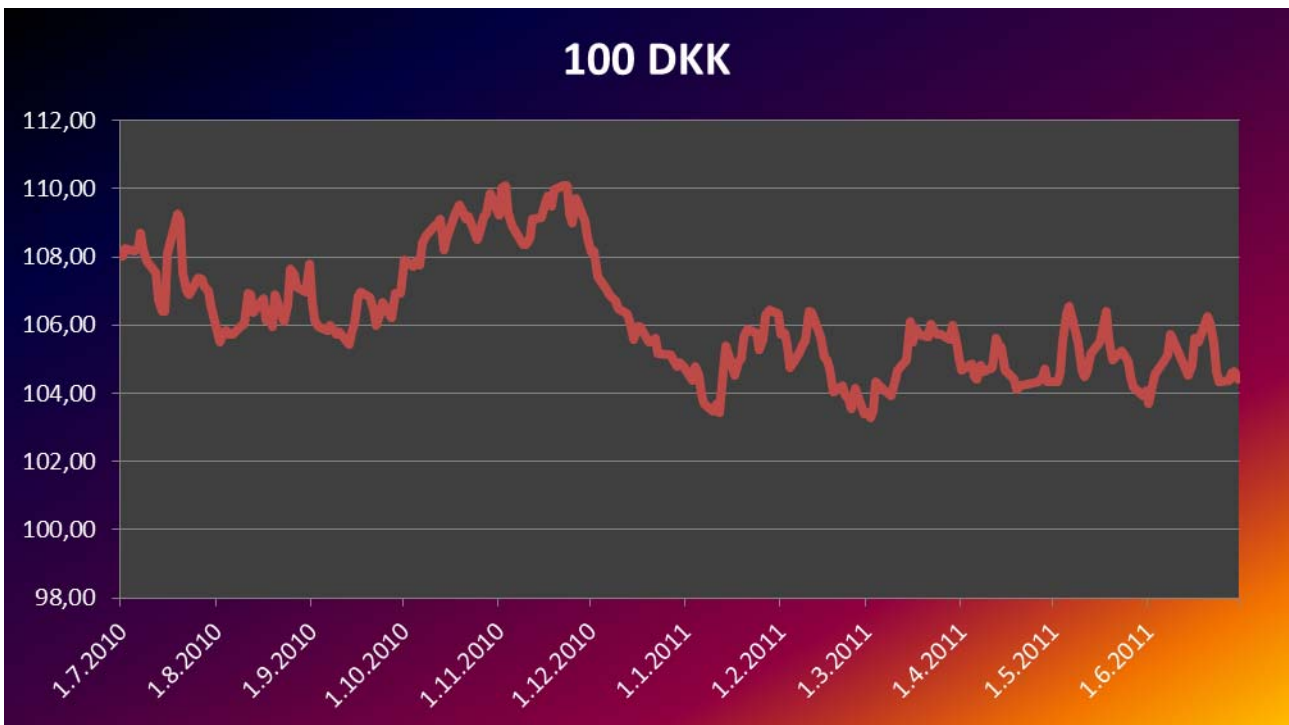


Figure 11. Swedish krona vs. Danish krone 1.7.2010 – 30.6.2011. During the period, the Norwegian krone has strengthened 3.3%. In the period 1.11.2010 – 30.6.2011, the Norwegian krone has strengthened 4.4%.

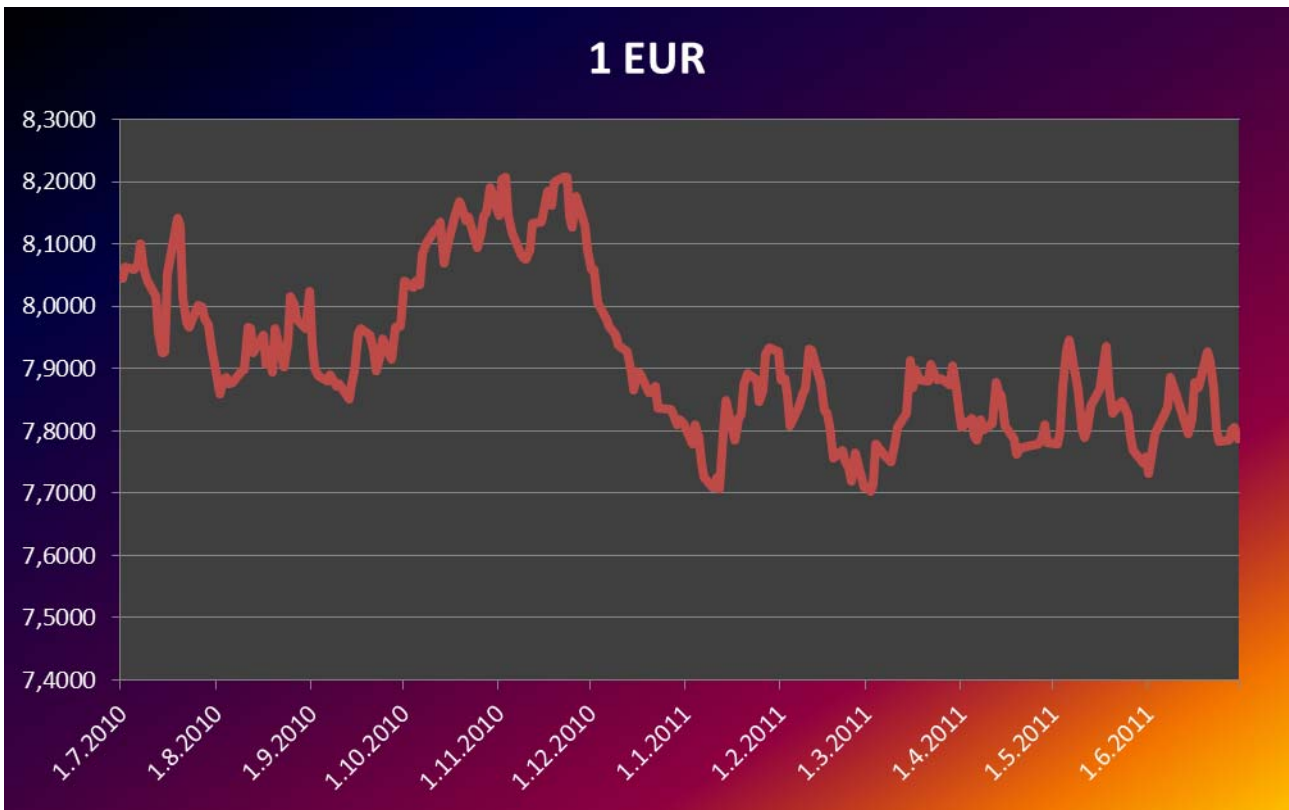


Figure 12. Norwegian krone vs. euro 1.7.2010 – 30.6.2011. During the period, the Norwegian krone has strengthened 3.2%. In the period 1.11.2010 – 30.6.2011, the Norwegian krone has strengthened 4.4%.



Figure 13. Norwegian krone vs. GB pound 1.7.2010 - 30.6.2011. During the period, the Norwegian krone has strengthened 11.8%. In the period 1.11.2010 – 30.6.2011, the Norwegian krone has strengthened 8.2%.



Figure 14. Norwegian krone vs. Swedish krone 1.7.2010 – 30.6.2011. During the period, the Norwegian krone has weakened 1.3%. In the period 1.11.2010 – 30.6.2011, the Norwegian krone has strengthened 3.3%.

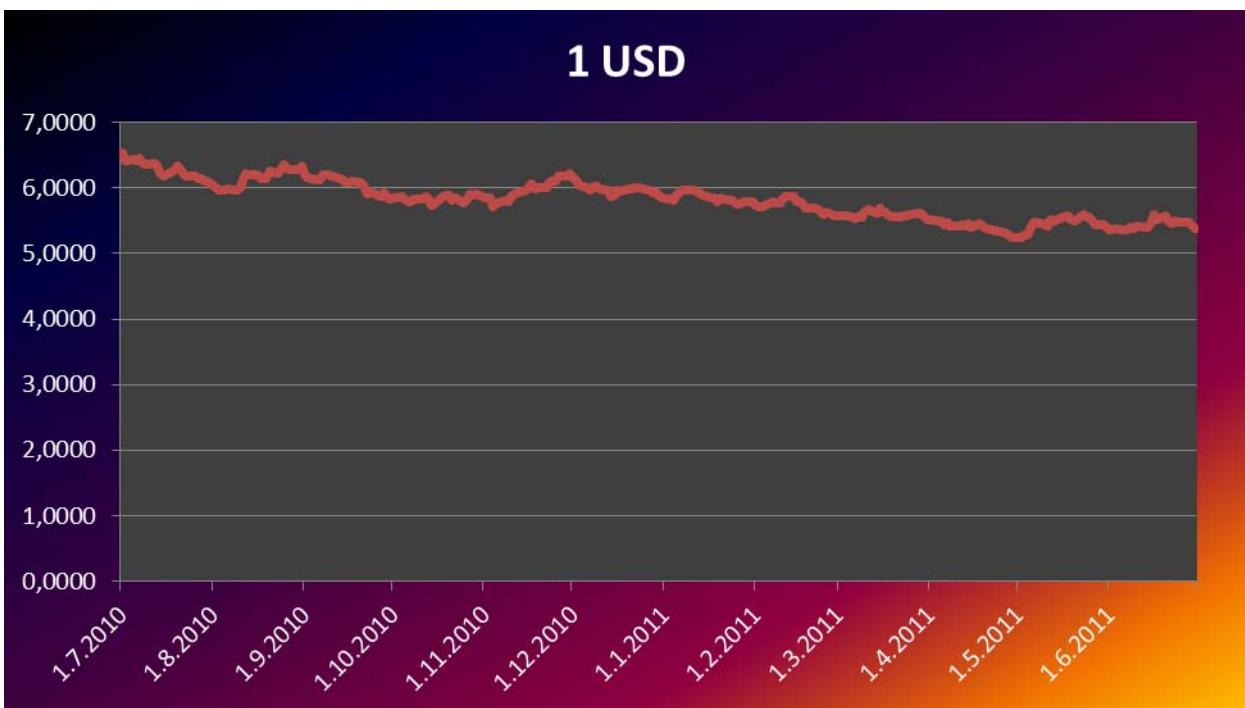


Figure 15. Norwegian krone vs. US dollar 1.7.2010 – 30.6.2011. During the period, the Norwegian krone has strengthened 17.4%. In the period 1.11.2010 – 30.6.2011, the Norwegian krone has strengthened 7.9%.