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Pricing Options

Carol Tenopir
University of Tennessee - Knoxville

Online databases: pricing options

Author: Carol Tenopir
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Abstract:
Pricing options for databases are an important factor in library product selection. Generally, databases charge either a flat fee, per use fee, or user based fee. A survey of libraries found that user based pricing is popular followed by the flat rate. Both options allow for easy budgeting.

Full Text:
DATABASE PRICING is at the top of many librarians' minds, as major online companies such as the Dialog Corporation have changed pricing policies and others have raised rates (see "Furor Over Prices," LJ 7/98, p. 40-41). Pricing for digital products has become more complex than before--certainly much more complex than print pricing has ever been. Librarians and database vendors alike are seeking ways to figure prices that are both understandable and fair.

I recently asked over 100 public and academic librarians about pricing options in their libraries and the options they prefer. (This was part of a larger project funded by a gift from Information Access Company [IAC].) Not surprisingly, different options abound. Most fall into one of three major categories: 1) pay-as-you-go, 2) fixed price (flat fee), and 3) user-based licensing.

Pay-as-you-go pricing

Pay-as-you-go pricing was developed for intermediary use of commercial online databases but still remains available from many online vendors and may be useful in end user situations as well as intermediary ones. This was originally calculated strictly on connect time, but that scheme is now nearly obsolete. If connect-time pricing is offered today, it is usually combined with other factors, such as output-based pricing or per search pricing.

In output-based pricing, users are charged for each record or each full article viewed in a search. In many systems the output charge is combined with a lower connect-time fee; others charge only for the documents viewed. A few end user systems, such as FirstSearch, offer per search pricing, which assesses a charge for each online search conducted.

Whether the pricing scheme is based on connect time, output, searches, or a combination, pay-as-you-go still makes sense in some situations. When search costs are billed back to patrons or customers, when specific databases or systems are used infrequently in a library, or when libraries need add-on services such as document delivery, libraries may prefer to pay only for what they use.

Fixed-rate pricing

Fixed-rate or flat-fee pricing is more like print pricing--libraries pay a single one-time cost or yearly subscription rate for use of the digital materials. This is common with CD-ROMs, which, like printed materials, are purchased and brought into the library. In the digital world, however, whether online or on CD-ROM, fixed-rate pricing rarely comes without strings attached. Such strings come in the form of licenses or terms and conditions of use. For example, with many CD-ROM or online products, the fixed rate applies to a single user on a single workstation. It almost always costs more for networking or multiple connections.

User-based pricing

User-based pricing has become the most common option. For libraries that have an identifiable base of users and do not bill their customers, this option can be the most advantageous. Unfortunately, it is also the most complex--and thus usually involves negotiation.

This option may be based on total user population (constituency), on library size, on potential users, or on simultaneous users. Some prices are valid only for certain types of libraries (e.g., publicly supported or school libraries). Most prices are negotiable, and the size or prestige of a library or consortium often brings clout to the negotiating table. This pricing option works best for those databases that

have wide appeal across your constituency.

Total constituency pricing is based, for example, on the total size of the FTE student body at a college or university or on the population of an area served by a public library. The costs per user are usually fairly low, for example $2 per student, because the online system or database producer calculates that only a fraction of the total will ever use its product. Per person costs generally go down with larger populations, so joining a consortium can usually help a small institution.

A variation on total user population pricing is pricing based on the size of the library. This may be measured by the size of the materials budget, total budget, circulation, or number of registered users.

Potential user pricing is usually reserved for situations in which the number of individuals interested in a specialized database can be estimated by the information professional. For example, for an engineering database, the potential users could be the number of engineers in the company. In a college, it could be the number of students and faculty in the engineering department. Database use will be monitored by the vendor, and prices may be adjusted if the original user estimate is too low.

Simultaneous (or concurrent) use is based on how many users from a library can log on at the same time or how many workstations may be connected to a CD-ROM network. The trick is to set a realistic number of simultaneous users that will allow most users to log on most of the time, without paying for too much extra capacity. Simultaneous use is normally priced in ranges (e.g., two to five or six to ten users). Typically, rates go down for larger groups.

Survey response

For my survey on database use in libraries I mailed questionnaires to 182 public and academic librarians. Their libraries were randomly selected from a list of over 1200 libraries that now or at one time had products produced by the IAC, which provided me with the list. (The questions I asked were not specifically about IAC products.) Sixty public and 57 academic libraries responded to my questions, for a 66.6% return rate for public libraries and a 62% rate for academic libraries.

Public library results

All types of public libraries are represented in the sample. The population served by these libraries ranges from below 25,000 (eight responses) to over one million (three responses). The remaining responses are spread in a bell curve, with the peak at 100,000--250,000 population (13 responses).

Most of these libraries offer a variety of database products, purchased from many different database producers and online vendors. Not surprisingly, they report a wide range of pricing options. Simultaneous/concurrent use is the most common option in these public libraries (78.3%). Next most common are flat fee (48.3%) and licensing based on library or population size (31.7%).

The librarians were asked about their preferred pricing options. Two options stand out across all sizes of public libraries. Simultaneous-user pricing is preferred by more than half of the respondents (56.75%), while about one-third (33.3%) prefer flat-fee pricing. None of the other options was favored by more than 10% of the respondents. (They could offer more than one choice in their answer.)

Academic results

The academic libraries in my sample come from ten Carnegie classes of academic institutions, from Associate of Arts colleges to research universities. The largest number of responses (21) came from "Master's I" institutions, those that "offer a full range of baccalaureate programs and are committed to graduate education through the master's degree."

Like public libraries, most academic libraries currently have several pricing options for their electronic products. Similarly, the most common option (82.8%) is simultaneous use, followed by flat-fee pricing (67.2%). Unlike public libraries, potential user licensing places ahead of per use pricing in academic libraries, probably due to the purchase of specialized databases aimed at specific departments. No one pricing option is preferred by a majority of the academic librarians who responded, but flat-fee pricing (45.6%) led the list, followed by simultaneous user pricing (36.8%).

Consortial discounts

Membership in a consortium was reported to affect pricing by just over half of the public libraries (51.7%), but by most academic libraries (over 82%). (It could be that fewer public libraries belong to a consortium, as I worded the question "Does your membership in a consortium affect pricing?") Membership in consortia generally lowers prices by providing flat-fee discounts, reduced per user rates, and assistance in negotiating licenses. It may have less effect on the other pricing options.

Do libraries get what they want?

After librarians were asked which pricing options they currently have and which they prefer, some trends are obvious. Librarians in public and academic libraries want pricing options that they can control and budget for (flat fee and simultaneous use). Many academic and public librarians recognize that cooperation with other libraries is essential to achieving the best prices in an electronic era. Sometimes this is the only way to get affordable prices with desired pricing options.

All of the libraries surveyed currently purchase electronic products and probably gravitate toward those companies that provide the pricing options they prefer, so the top two preferred options and existing options coincide. Still, a wide variety of pricing options is a reality for all libraries no matter their size or type. No one pricing option will satisfy every situation in any library. Complexity will

remain.

TABLE 1: PUBLIC LIBRARIES--CURRENT PRICING OPTIONS Option % of Libraries # of Libraries (total) Simultaneous Users 78.3% (47) Flat Fee 48.3% (29) License based on Size of Library 31.7% (19) Per Use 23.3% (14) License based on Potential Users 21.7% (13) License based on Type of Library 13.3% (8) Other 16.7% (10) TABLE 2: PUBLIC LIBRARIES--PREFERRED PRICING OPTIONS # of Libraries Option % of Libraries (total) Simultaneous Users 56.7% (34) Flat Fee 33.3% (20) License based on Size of Library 1% (6) License based on Potential Users 8.3% (5) Per Use 5% (3) License based on Type of Library 3.3% (2) Other 10% (6)

Numbers add up to greater than 100% because more than one preference was permitted.

TABLE 3: ACADEMIC LIBRARIES--CURRENT PRICING OPTIONS # of Libraries Option % of Libraries (total) Simultaneous Users 82.8% (48) Flat Fee 67.2% (39) License based on Potential Users 53.4% (31) Per Use 48.3% (28) License based on Size of Library 37.9% (22) License based on Type of Library 8.6% (5) Other 6.9% (4) TABLE 4: ACADEMIC LIBRARIES--PREFERRED PRICING OPTIONS # of Libraries Option % of Libraries (total) Flat Fee 45.6% (26) Simultaneous Users 36.8% (21) License based on Potential Users 21.2% (12) License based on Size of Library 10.5% (6) Per Use 8.8% (5) Other 15.5% (9)

NOTE: No one selected License based on Type of Library. Numbers add up to greater than 100% because more than one preference was permitted.

Carol Tenopir is Professor at the School of Library and Information Science, University of Tennessee at Knoxville. Her E-mail address is tenopir@utkux.utk.edu

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