CHARGING FOR INFORMATION SERVICES: TRENDS IN THE UK*

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I am going to begin this presentation on charging for information services in the UK by getting back to basics: why do we need to charge at all? There is a tradition in the UK of regarding information as «free», and there is still a reluctance amongst many user groups to pay for what they see as a right, rather than a professional service. However, information is *not* free; even if it is generated free of charge, there are costs involved in supplying it. The debate has not been helped by the ambiguous nature of the English language, where «free» can mean both «without cost» and «open» in comparison with the Spanish, who can usefully distinguish between «libre» and «gratis».

The issue of charging has been a contentious topic for a long time, but the nature of the argument has changed. Charges, initially, were seen principally as a device to ration demand. Increasingly, more general political pressure has fostered a culture of accountability, where operations are grouped in cost centres, with all cost elements of them analysed in detail. With greater accountability, and an increasing requirement to cut costs, has come the need to demonstrate improved cost effectiveness to those who allocate funding. With this active nurturing of a climate of cost awareness, information managers - whatever their private views in the «fee or free» debate, have increasingly had to look at the feasibility of at least recovering their costs, if not actually generating a profit. For some time now, the issue has not been whether or not to charge, but how much to charge, and by what mechanism.

There are many arguments put forward in favour of charging:

- having to pay makes people better appreciate the service;
- the library can offer new services, which it couldn't otherwise afford;
- it is a useful mechanism for assessing the value of a service;
- it encourages staff to think in a businesslike way;
- it can be used to capitalise on demands for a service, or alternatively to reduce demand.

(It has to be said that arguments for charging are usually put forward by information staff, rather than information users.)

There are also some powerful arguments against charging:

- it antagonises users, and can dissuade them from using the service;
- it can be expensive and cumbersome to administer;
- it is unethical in the library context, and defeats the whole aim of the service;
- if you start to generate income, your funding body will cut back your allocation.

However, whether you are for or against, and even if no cash actually changes hands, the whole process of assessing how much your information costs you to provide, who

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uses it and how, will give you a useful view of supply and demand. There is no point in charging for a service unless there is an identified need for that service on the one hand, and a willingness to pay on the other. At the end of the day, the main justification for charging for a service should be that it adds value in some way for your customers.

One of the articles I read when researching this paper listed 27 different services provided by information centres which could potentially be charged for. These included some obvious ones, like Reservations, Document Delivery, Online database access; some less straightforward, such as Reports and Surveys, Training in Information Skills, and Hire of study carrels; and some which have very little to do with libraries: Souvenirs, Concerts and Recitals, and Advertising and Sponsorship.

Not all of these activities will be appropriate to all library environments. A survey carried out in 1990 in corporate libraries discovered that the services most often charged for were:

- Searching external databases.
- Evaluative report production.
- Inter-Library Loans.
- Searching internal databases.
- Selective Dissemination of Information (SDI) services.

A more recent survey carried out in public libraries in 1994, found that the library services charged most frequently for were:

- Photocopying (charging for this is a statutory requirement for public and academic libraries in the UK).
- Book sales.
- Reservations.
- Overdue returns.
- CD/cassette/video lending.

The differences between the two lists clearly reflects differences in organisational structure and objectives, and different client groups. A survey of academic libraries would come up with a different combination.

The practice of charging for information services has reached the stage of maturity where advice on how to go about it and what the options are is appearing in the professional literature. The stages of this: Planning and project start-up; User Survey; Piloting the new service; Marketing and Promotion; Monitoring and Review, etc., will be self evident to an experienced information professional. Inevitably, if you are introducing any new service, there is no substitute for good forward planning. The process is best controlled as a special project, managed by someone who can lead and coordinate planning activities, and who is aware of the need to involve staff at all levels and to keep them informed of progress throughout the planning stages. An early requirement will be to carry out some market research, which should include an examination of any potential competitors the service may have, i.e. others who are offering the same product or service, to whom, how, and at what cost.

Naturally, the most important feature of market research will be soliciting the opinions of users. If your library carries out regular user surveys, the basic mechanism will already be in place and will simply need some adaptation. If it does not, user views may be gathered by a short structured interview or questionnaire. If the library has external

users, it might opt for mailout questionnaire, or even an announcement in a specialist journal.

Market research and an examination of the library's usage statistics should give the library a clear picture of likely take-up of its planned service, and it can begin to model income and resource levels. The activity will raise a number of budgetary issues. For example:

- charging and pricing mechanisms to be adopted;
- how to justify charging for a service which is based on an existing collection;
- whether the income from the new service will be ploughed back into the service or will just go into general library or organisational funds.

This brings us to the central point of today's presentation. If you are a library intending to charge for its service, you will have to address the question of whether you are going to charge by service or by user, and how far you intend to recover your costs. «Cost recovery» is often quoted as a basis for charging, but the term can be misleading; which costs are we talking about? What this has often meant in practice is «non-staff and non-overhead» costs, i.e. a very small percentage of the true cost of providing a service. Is it easier or fairer to charge by service, by user, or by a combination of the two? One implication of charging by service is that it introduces a value element, and a split into basic or «core» and added value or «premium» services. You can charge for a new service, but what happens when the new service becomes an old service, and a standard part of what is on offer? A cynical approach is to charge anyway, at whatever rate your users will pay.

Charging by different types of user can be attractive. However, if you simply have internal users, it can be difficult to justify why some of your users are paying and others are not for the same service. It is generally seen to be valid to charge external users - after all, the service was not originally designed for them, and charging, regularly monitored, allows the information unit to control demand. Indeed, some libraries have actively developed specialised charged services to particular external sectors, for example:

- the local business community: we will look at two examples shortly;
- local health providers: for example the University of Edinburgh has an agreement with the local health authority to supply library services;
- companies in science parks located on university campuses;
- access offered to professional groups, e.g. lawyers, on a subscription basis.

A mechanism which is becoming increasingly common for these arrangements is the Service Level Agreement or SLA, under which both parties agree a detailed contract describing the extent and level of service. They have been used for some time within companies and in government libraries, and used as a means of «purchasing» library services by individual cost centres - although they are sometimes used largely as transaction recording mechanisms, since it is not necessary for money to change hands. Increasingly, they are being introduced into academic libraries, to the approval of some library managers, and the despair of others. Their supporters see them as being useful as a formal undertaking to supply an agreed set of services to agreed standards; their detractors claim that they are complex and time-consuming to plan and implement, and are now little used in business, where they are largely discredited. One library I contacted, the Cairns Medical Library in Oxford, has to date negotiated 7 SLA's with various client

groups, and the manager I spoke to agreed that they were enormously time-consuming to set up. Indeed, one person was employed solely to administer the contracts.

Assessing the different charging methods is difficult enough, but it is much easier than setting prices. As someone once said: «Things cost what they cost, but prices are a matter of strategy». There are awful dangers in getting it wrong: price too low, and you undervalue the service and give your customers an unintended message of poor quality, as well as failing to recover the costs of providing it; price too high, and you discourage demand, *and* fail to recover your costs. The advice is to price at a level which your customer will pay: in other words, use a customer-oriented, not a cost-oriented approach. In practice, according to the 1990 survey I mentioned ealier, the most common pricing methods are done on a cost calculation - with the expectation that the service would *not* make a profit. Pricing structures come in two basic categories: subscription, and one-off, «pay-as-you-go». Libraries like subscriptions; they are relatively easy to operate, and you get the money whether or not the service is used. Users prefer pays-as-you-go, which they perceive as fairer. Hybrid systems exist, e.g. paying an entrance fee, or having a free service for enquiries which take less than 15 or 30 minutes, and then charging. These can get very complicated, though: a simple pricing mechanism will limit administration costs and be more acceptable to the user. You will still be free to use the proceeds from one service to subsidise another, or to introduce a «loss leader» concept, and discount one service to attract users to a more profitable one. You will, of course, have to decide on payment mechanisms - will your users pay in advance, will you invoice them in arrears, will you accept VISA and American Express cards?

The introduction of a priced service can throw up more issues than those related to budgets and accounting practice. A paper given at a conference in 1988 identified three types of dilemma:

- ethical: how do you ensure that all your users are given the best service, regardless of their ability to pay;
- managerial: how to provide a comprehensive service at a time of financial constraint;
- economic: how to expand or improve the service and improve income potential without penalising your existing clientele.

The common thread was the need to safeguard the basic service to your internal customers, and to maintain (at least) existing service standards. In the years since then, many libraries have tried to get this delicate balance right.

A key element will be staff, and staff attitudes. The introduction of charging necessitates a change in organisational «culture». Staff need to embrace the ethos of charging - sometimes difficult for those in the public sector - and recognise that customer care and giving value for money will be important measures of their success. Paying customers have higher expectations that those who get their service free. This has implications for staff training - do your staff have all the skills they need? - and the provision of adequate staffings levels, as well as the quality of the service and how efficiently it is provided. Reliable performance measures will need to be developed for service delivery, and issues of liability and professional indemnity resolved, possibly including the production of a sheet setting out Terms of Business or a Code of Service. There may be a requirement to obtain a quality accreditation. Marketing skills will probably need to be acquired. A study carried out in 1993 identified seven Critical Success

Factors for fee based information services. The most important was client satisfaction. Two others were:

- to operate in niche markets; and
- the generation of profit is in itself a great motivator.

Though these originally related to information services in the private sector, operating in very competitive markets, it is believed that they are increasingly applicable to ventures in the public sector.

There is no doubt that the traditional role of the librarian as a reactive information provider has largely ceased to be viable. Charging for information services, and the concept of income generation, have penetrated all types of organisation. Some have coped successfully, some have gone under, others again have learned their lessons the hard way. This may be a good point to quote some case studies as examples.

The first I want to talk about is *Information in Business,* a fee based service for business and industry. I chose this service originally as an example of a joint venture between De Montfort University, Leicestershire, and Leicestershire County Council, to illustrate how such collaborative ventures can operate. It was governed by a contract between the two parties, with a service aim: «To provide commercial, industrial and technical information to firms, organisations and individuals in Leicester and the region». Essentially, it was a marriage between an existing free business information service, provided by the local authority through its public library, and a technical university with in-house expertise, good business contacts, and the desire to develop a fee-based service. Following protracted negotiations and a feasibility study, a contract was signed in March 1990. This was administered by an Advisory Committee which met twice a year to advise on service development, marketing and evaluation. The service was a two-tier one: there was a free tier which included reference access to members of the public, and enquiries of up to 30 minutes duration. A fee-based service (based on direct cost recovery and staff time) covered online searches, document supply and current awareness services.

All seemed to be well. Both the business community and the general public were seen to benefit: there was a better service, a better resource base, and an increase in the number of access points, since customers could access IiB directly via phone, fax, or personal visit, or indirectly through the public library network. The university's input to the service consisted of staff time, overheads, and all the library's stock. Both partners, and the client groups of general public and the business community were well pleased with the arrangement. The service began to grow, and to receive enquiries from the surrounding areas; it began to develop more value-added services, such as publishing a monthly digest of local company and economic news from the local press, and training in information awareness for the business community. A lot of effort was devoted to raising the profile of the service in the business community through a programme of marketing and networking. When I rang for a current price list, I was told that the joint venture was no longer in operation, as the local authority, forced to make cash savings, had pulled out - in spite of the service having reached enquiry levels of 7000 per annum. It is no longer an example of a successful joint venture, but perhaps it will serve instead as a reminder of the essential fragility of such relationships, even when they are governed by a detailed contract, and the service is apparently a well-run and sucessful one.

There have been other casualties in recent years. A notable example was that of the University of Warwick Business Information Service, based on the collections of the university library and a superb collection of national and international statistics. The university opened up access to the collection to local business a⸱ far back as 1972, and a unit developed which was identified as a cost centre withiⁱ ⸱ university in 1989. Amongst products on offer were enquiries, consultancy and project work, and seminars and publications. Each was charged in a different way: hourly rate, daily rate, subscriptions, royalties, but each was based upon a combination of a minimum daily rate, a profit margin, and an estimation of what the market would take. Warwick acknowledged quite early on that commercial services such as the one it was operating could not be totally separated from the parent institution, and a true picture of total cost was difficult to establish. Over time, increasing pressure was put on the service to identify its true cost, and to reflect that cost in its charges. The costing elements were identified as:

- salaries and associated costs;
- telephones;
- photocopying;
- fax;
- equipment;
- postage;
- stationery;

In addition, the unit made a contribution to general library funds. This figure was variable, and based on a percentage of the unit's turnover. In addition to this, for some areas of work (e.g. projects) they were also charged overheads by the university (these were normally 40% of direct costs). Having established costs, they estimated the amount of chargeable time available (=working days available per annum, but also the chargeable time taken up with administration, support and marketing functions). They then attempted to estimate a minimum daily rate, although this too was dependent upon the nature of the work and its value added content, profit margins and competition. When they did make a surplus (they were not allowed to call it a profit) the cash went straight back to the university, not the library, in line with university policy.

Warwick BIS concluded that when setting up a service, the identification of costs, and devising charging policies were the most important factors. However, there are others:

- there must be a clear understanding of the service's aims and objectives, and how far it is being run for commercial reasons. They concluded that although one can make money from a fee-based service, it is not easy to generate large profit levels, since the business is labour intensive and cannot benefit from economies of scale;
- you need good existing in-house resources, preferably in areas which are not covered by anyone else. It is uneconomic to buy in extra resources;
- you need good marketing, and professional help may need to be bought in during the early stages. However, your staff will need to be actively involved in marketing on an ongoing basis;
- the quality of staff is a critical sucess factor. You cannot set up a good fee-based service using existing staff who combine it with their existing duties. You may well need to recruit experienced, high calibre staff for your new service, who are

used to evaluating and analysing data before passing it on to what may be remote users. You will probably need to use more external resources: you cannot simply tell a paying client that the item they want is not in stock, sorry. Staff will need to acquire commercial attitudes, and learn to assess existing or proposed activities on their ability to generate income. Many traditional librarians find this very difficult;

- it will be important to maintain good working relationships with the rest of the library. Other staff may be confused or become resentful about the role of your fee-based service, and perceive jobs there to be more glamorous or better resourced than their own.

The Warwick Business Information Service was apparently successful, highly regarded as a business information service, with a high profile. However, in spite of the hard work, the planning and review, and the readiness to deal with problems, it ceased to exist as a separate entity about two years ago. Possibly it was just another victim of the downturn in the economy which saw the crash of a number of information brokerages, but I cannot help think that a major cause of its failure was related to the complexities of its charging and pricing structure.

So, are there any examples of a successful charged service? Yes, there are several, though it has to be said that success is not arrived at without time, staff resource, an honest recognition of problems and a willingness to resolve them. I'd like to illustrate this with reference to INFOMARK, the library and information service of the Chartered Institute of Marketing. The Institute itself is a leading marketing management body with over 500.000 members and registered students who are working towards a marketing qualification. The Library, which has a large collection of specialist literature, regards its key selling points as speed, flexibility and the professional expertise of its staff. There were four main reasons why it was decided to start making a charge for its information services:

- substantial growth in the number of enquiries, which threatened speed of response and quality of service;
- the Library was asked to generate income;
- pressure from top management for all divisions to become more self-sufficient;
- a small number of members were using a disproportionate amount of the service.

The move to a fee-based service was agreed in June 1991. Appropriately for a marketing organisation, the first step was to carry out a competitor analysis. Following this it was decided to launch as a subscription service, under the brand name of INFOMARK, and a brochure and subscription form prepared using an outside graphic designer. Members of the Institute were alerted to the new service by letter; the library brochure was also included in packs to delegates attending Institute courses, and distributed to local libraries.

One problem which emerged early on was the difficulty which library staff had with being asked to charge for information which had previously been available free. There was a tendency to apologise for charging, instead of the more positive response of realizing the value of the information provided, and acknowledging that it was worth paying for. Altogether the first year of the service was a very difficult one:

- members were unhappy at what they saw was a loss of membership benefit, as non-members were not being charged significantly more for the same service;

- the charging mechanism was cumbersome and confusing to administer;
- since staff had no involvement in charging decisions, there was a lack of belief in the system;
- there were changes in leadership and organisational policy.

It was obviously important to address the issues of a lack of staff commitment, and the needs and views of users, before relaunching the service. The staff problem was resolved by including all staff in a brainstorming session to establish new objectives for the service, and feedback was obtained from users which was fed into the service review. As a result, the subscription system was abolished, and it was decided to operate a «pay-as-you-go» system, in which heavy users could become account holders. The scale of charges was revised with a clear differential between members and non-members' rates. The pricing was also simplified: for example, instead of charging so many pence per page for photocopying, there was a flat rate per article. Some services, for example book loans and online searches, were not available to non-members.

The service was relaunched in September 1992. In order to save on the costs of re-designing the brochure, the old one was used, but with all references to charges removed, and instead including testimonials from customers and examples of enquiries dealt with. Charges now appear on a separate sheet which is inserted in the brochure. It was recognised that the library would have quite a job to win back the customers they had lost during the first phase of their fee-based service, and an active programme of promotion was undertaken. This involves short pieces about the service included in the members newsletter, a mention of the service in all corporate literature, and regular presentations to Institute branches by the Library Director.

So where are we now? With more and more electronic information being delivered directly by producers, and the Internet being sold to us all as the solution to all our information problems, are libraries becoming so marginalised that they are irrelevant? Our role as simple document deliverers has gone, and perhaps we are still not sure of how we can develop our role as skilled information intermediaries who can add value. A recent book called *Managing the economics of owning, leasing, and contracting out information services* (Ashgate, 1993) includes a suggestion that the way ahead for libraries is collaborate with commercial information vendors to produce «hallmark» services where the library staff are actively «adding value». One particular paper in this collection was by David Hoekema talking of university libraries. He notes that libraries are being encouraged to «aim high» and cultivate new income sources such as user fees from commercial data distributors in order to support greatly expanded services, and to create a network of public-private collaboration, exchanging the information that the private sector needs for the cash that the libraries need.

Hoekema regards such a scenario as over-optimistic. I quote: «The source of new revenue requires careful consideration, as does the competitive position of the university library in relation to other potential information sources. Perhaps some expanded services could generate new revenues within the university structure. Departments and individual faculty members might be willing to pay $25 per citation for a rapid article search and overnight full-text delivery, for example. But to rely on such income sources does not solve any financial problems for the university. It simply shifts them from the librarian's budget to someone else's. Only new fees attracted from outside the university

should be counted as genuinely new revenue sources for expanded services. Moreover, a library that succeeds in building its staff and user services on the basis of new user fees must always be prepared to lose its newly-won business to a competitor».

Hoekema raises some very important issues which librarians ignore at their peril. However, whatever the opportunities or dangers, the trends do seem to be towards a model in which a basic core of services will exist which are not fee-based:

- access to local collections and some outside collections;
- borrowing books and other material;
- a basic reference or enquiry service.

These could be further defined by the level of service provided, in which the message would be «if you do this yourself, it is free; if we do it for you, you pay». The core services would be supplemented by premium services which would need to be paid for:

- personalised research, document delivery and clerical support services;
- the purchase of books or articles on the user's behalf.

In this model the library is an active organisation, going to the marketplace to buy access to outside collections, reference services and other products. It will also be selling its own services in open competition. As part of this process, individual methods of charging and pricing will have to evolve in the light of experience, as part of the library's ongoing dynamic growth as an organisation whose function is to bring together, in one location, a broad spectrum of information products and services, regardless of how they are paid for, or who pays for them.