

1998

1998 Charleston Conference Call for Papers

Editor

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Pricing Models from page 27

company is not doing this, and I expect most other companies aren't, but we are not incentivized to improve performance.

The higher the usage the better the simultaneous user model correlates to value delivered. So for high use databases like **InfoTrac SearchBank** there is a good correlation between "actual use" as defined in downloads, prints, and time spent on the system and the level of simultaneous use. For a low use file, simultaneous user pricing can become almost meaningless.

The Usage model

Over the past year several companies have announced "transactional" pricing models. Typically these models measure use based on downloads, prints, sessions, etc. In so far that these models reflect "actual" use they provide a much better indication of value delivered.

Some of these models have been tweaked to give libraries fixed "budgetable" prices. Just as you pay for your insurance your initial fee is based on an assessment, and then the price goes up or down depending on what you do during the year.

Even this model is fraught with challenges. For many kinds of research, you want the patron to be incentivized to search the data more rather than less. Many people feel that information should be (close to) free at the point of consumption. Otherwise learning, research and knowledge will be penalized. With this model the penalty for high use is deferred for a year, but it's still a disincentive to use the file.

Imagine usage based pricing was applied to the existing library for their monographs. How many books have not been looked at for years? Would that mean they should be disposed of?

The Site license

A significant part of this paper has been devoted to stressing that having multiple models is a good thing. So, this is not intended to hold up one kind of model as the best for all cases. It is to suggest that a site license has many positives to it. It gives customers unlimited use to seek, discover, and explore information without penalties. It is much simpler to administer than the simultaneous use model, where technical definitions of what constitutes a simultaneous user can drag on for weeks. With the site license model the main point of contention is what constitutes a site.

Parties that use site licensing tend not to get distracted by the model — they can focus on whether the product is worth the money

or not. It doesn't get into subjective judgments — of whether an abstract is worth more than a download — which anyway differs by database. It also rewards publishers who have better products and penalizes those who have worse ones.

But the winning model is ...

Unfortunately, there's one force that overrides all others. For almost all customers the best model is the one that gives the lowest price. If it's free so much the better.

Pricing isn't about theories, it's about establishing what vendors will sell for and what customers are prepared to pay. It's about prices, not pricing.

Theoretically simultaneous user pricing is a poor model. I think customers like it because it is a very good deal for them. Many publishers have decided that they would have to adopt the model — driven by customer requests. And so it's become established. Any model that displaces it will have to generate lower prices, or publishers will have to raise prices on simultaneous use to make other models more attractive.

All publishers compete with each other, and with free sources of information. I believe we should embrace this. It's a great thing that the Web has enabled so much more information to become free. It will drive publishers to produce better products and to become more efficient. A more efficient publishing system will improve the utility of our societies and result in a much greater good. We should welcome creative new models and seek better ways of allocating the resources society sees fit to spend on information.

The future offers some very interesting models. Technology will eventually make it possible to price by the answer rather than the search, by the amount learned rather than the amount taught. In short it will make it possible to price by the result we're seeking rather than the process.

Unless, of course, pricing by process results in lower prices. 🌱

Endnotes:

¹ Formula taken from "Balancing Your Database Network Licenses Against Your Budget", Benjamin F. Bauer, *Searcher Magazine*, February 1995. NetEffect Inc., Benbauer@neinc.com, <http://www.neinc.com>

² Pooling simultaneous users is when several institutions club together to use a fixed number of simultaneous users, e.g., a subscription to four simultaneous users across seven campuses.

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Send ideas by **June 30, 1998**, to Barbara Dean, Technical Opera-

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