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Negotiating for On-Line Data Base Services: The Vendor's Viewpoint

THE SUCCESSFUL APPLICATION OF on-line technology to the storage and retrieval of information from large, machine-readable bibliographic data bases resulted in the availability in the late 1960s of an entirely new type of computerized information service to the library community. The possibility of interrogating large collections of references to the scientific and technical literature by remote on-line computer terminals promised both the reference librarian and the library patron welcome relief from the time-consuming task of manually searching through countless volumes of printed indexes and abstracts in order to satisfy their information needs.

Unfortunately, the initial dissemination of the new technology was slow. From the mid-1960s to 1970, on-line data base retrieval services were largely controlled by and limited to the nonprofit sector. Services were extended to libraries affiliated with government agencies such as DDC and NASA, where comprehensive on-line networks were evolving around specialized science and technology data bases. Health science libraries were eligible for access to the MEDLARS data base which was developed by the National Library of Medicine (NLM) and was available on-line from NLM and the State University of New York in Albany.

The wider-scale dissemination of these services began in the early 1970s with the emergence of commercial on-line data base vendors who acted as primary middlemen in the provision of service. Organizations such as System Development Corporation (SDC) and Lockheed Infor-

mation Services began offering interactive searching on a profit-making basis from a wide variety of bibliographic data bases on a nationwide scale via common carrier telecommunication networks. This made it possible for a larger number of libraries in both profit and nonprofit sectors and in diverse geographic locations to take advantage of the new technology. Even with this improved mechanism of dissemination, the charges for the commercially available services were relatively high in comparison to those for the publicly sponsored services, and it was only the information centers of major industries and the larger academic research libraries which became heavily involved with on-line data base services in the early 1970s.

During 1975-76, a tremendous upsurge of interest in on-line data base services took place. Perhaps due more to peer pressure than in response to carefully studied needs, libraries of all sizes and types began to investigate the possibility of acquiring these new services. During this same period (May 1976), Bibliographic Retrieval Services, Inc. (BRS) entered the marketplace as the third major commercial vendor of on-line data base services. The marketplace then was composed of a large number of potential consumers who had highly variable and often ill-defined service needs and who were looking for cost-effective methods of leaping onto the on-line bandwagon. The entrance of BRS into this marketplace was significant because BRS offered on-line services at substantially reduced connect-hour prices, spurring an eventual industry-wide reduction in access fees in January 1977. More important, libraries were now faced with more alternatives for on-line data base service sources and they began to negotiate for the services best suited to their needs. Until that time, on-line services, their prices and access arrangements, had been fairly standard across the industry, leaving little or no room for the vital process of negotiation.

The remainder of this paper is devoted to some brief observations regarding the process of negotiation for on-line data base services in the current market environment. The readers should be aware that the observations and opinions expressed here are based on the recent experiences of one on-line vendor — BRS — and may not be representative of other vendors.

ARE ON-LINE DATA BASE SERVICES NEGOTIABLE?

If the vendor of an on-line data base service has offered a specific service at a specific price, it is probably pointless to attempt to negotiate a lower price. Among other things, legal restrictions prevent any customer from receiving service on terms more favorable than those afforded the federal government. On the other hand, negotiation can

result in new services, new combinations of services and new rate structures. The innovations thus created would, of course, be made available to all customers on the same terms.

As a new vendor, BRS has gone through a series of negotiations with a variety of libraries since May 1976. The process of negotiation is a necessary part of the vendor/customer relationship with regard to securing on-line service for the following reasons:

1. Information retrieval services are precisely what the name implies — *services*, not products. Negotiation is a natural part of the vendor/customer relationship in any service industry. Services can be individually tailored to meet the customer's special needs; in contrast, products are produced to satisfy a standard customer need. Buying an on-line data base service is not like buying a security system or a minicomputer system for the library.
2. The customer's need for information services is highly situation specific and thus variable. It is not possible to offer a standard service at a standard price that will satisfy all these variable needs. The term *negotiation* implies flexibility which is an extremely important factor in the vendor/customer relationship. Perhaps one of the reasons for the early success of the OCLC system could be the fact that libraries that wanted to participate in the new service were not forced to accept a predetermined cataloging standard, but were able to retain their own particular standard of cataloging.
3. Customers expect to have something to say when purchasing services. Although most car buyers acquiesce to standard purchasing arrangements, the same buyer would expect a great deal more flexibility and control upon hiring a chauffeur. Certainly, the librarian expects more flexibility when contracting with a subscription service than when merely purchasing journals outright from the publishers.

Negotiation is not only necessary but desirable from BRS's point of view because when it is successful, it results in a higher level of satisfaction with the service and an increased degree of trust between vendor and customer. An element of suspicion tends to exist among librarians about the role of the commercial information vendors. If negotiation can help to increase the trust between the vendors and the customers of these services, then it is definitely beneficial to both parties.

NEGOTIABLE AND NONNEGOTIABLE ASPECTS OF ON-LINE DATA BASE SERVICES

This subject is best dealt with by first delineating the major components of the service itself and then dealing with each one individually. The major cost components of the on-line data base services are:

1. connect-hour costs to access the vendor's computer;
2. communications costs to get from the customer location to the vendor's computer;
3. data base royalty costs assessed by data base producers;
4. off-line printing costs (optional); and
5. training and educational services costs.

Connect-Hour Charges

Prior to the entrance of BRS into the on-line data base services market, the connect-hour charges for access to the vendor computer were standard for all users, regardless of the amount of use made by the customer. Since there are, in any system of this type, scale economies related to the overall volume of usage, BRS wanted to make the connect-hour prices negotiable, with rates determined on the basis of the number of hours of usage by each customer. By offering lower connect-hour rates for higher volumes of usage, we hoped to encourage the increased utilization of the on-line services in the library.

Thus, BRS began negotiating in April 1976 with a group of potential high-volume customers who wanted assurances of low connect-hour price in return for this volume commitment. We struck a "bargain," if you will, with this group which resulted in our first type of service arrangement, called the "high-volume fixed annual subscription." Specifically, this arrangement provided for up to seventy connect-hours of access per month for the fixed annual payment of \$7500 (\$8.90 per connect-hour). Clearly, this type of arrangement was tailored to the needs of a very special type of customer and was not applicable to the average potential service users.

In order to provide for price flexibility to other potential libraries of different types and sizes, BRS developed a "sliding scale" connect-hour pricing policy which would accomplish our general policy of lower prices for higher volumes. This scale is reproduced in Table 1. This sliding scale seemed to meet the needs of most libraries, and it removed the need to negotiate a connect-hour rate for each interested customer. We did find after the first several months of experience with this pricing scale that the smaller libraries were intimidated by even the five-hour per month level, and as a result we extended the bottom limit down to three hours per month (thirty-six hours per year) at the connect-hour rate of \$30.00. This pricing policy has proven highly successful and has since been adopted by other vendors. Its success can be attributed to the customer's possession of some element of control over the price of the service.

Another major area of negotiation with regard to connect-hour prices involves the availability of discount rates for groups or consortia. BRS initiated a group discount policy which provided members of established

TABLE 1. BRS CONNECT-HOUR RATE SCALE

<i>Volume of usage per month</i>	<i>Rate per connect-hour*</i>
70 hours (fixed annual)	\$ 8.90
40 hours (480 hour annual)	13.00
20 hours (240 hour annual)	16.00
10 hours (120 hour annual)	20.00
5 hours (60 hour annual)	25.00

* These rates do not include communication charges or any applicable data base royalty fees.

library networks or consortia with access at reduced connect-hour rates in return for the larger number of hours that could be purchased by a group in comparison to an individual library. To date, four major library networks are participating in this group service arrangement: Northeast Academic Science Information Center (NASIC), University of California Library System, Federal Library Committee, and Midwest Region Library Network (MIDLNET). In addition to reduced connect-hour rates available to group members, many of the networks also provide even more service flexibility for their members by centralizing the billing, providing additional training, etc.

Communication Costs

Access from the customer's location to the vendor's computer is generally via one of the two major national telecommunication networks, Telenet or Tymnet. These networks charge the vendor by the connect-hour for this service. In the case of Telenet, these fees are FCC-regulated and thus essentially nonnegotiable. BRS simply charges these direct costs back to each customer, adding \$1.00 per hour to cover the equipment necessary to handle the Telenet connection at the BRS Computer Center.

Data Base Royalty Fees

There are several data base producers who require that on-line users pay a "royalty" fee for the use of their data base via any on-line information service. Rather than incorporating these royalty fees into the BRS connect-hour rate, we assess them separately and remit them directly to the data base producers. Current connect-hour royalties for data bases available on BRS are found in Table 2.

The connect-hour royalties are added to the BRS connect-hour rate which is determined by the total hourly level of usage. For example, if a customer subscribes on a 40-hour per month basis (480 annual hours),

TABLE 2. DATA BASE ROYALTY CHARGES

<i>Data base</i>	<i>Rate per connect-hour</i>
BIOSIS Previews	\$15.00
CA Condensates	4.00
Dissertation Abstracts	50% of user's connect-hour rate
INFORM, Pollution ABS	30.00
INSPEC	15.00
NTIS	10% of user's connect-hour rate
Psychological Abstracts	20.00

then royalty rates for the use of any of the data bases in Table 2 will be added to the BRS connect-hour rate of \$13.00. These royalty charges are not negotiable with BRS. In fact, in the case of the royalty fees, BRS is actually the customer and has no control over the charges assessed by the data base producer.

Off-Line Printing Costs

All on-line vendors have standard fees for off-line printing done at their computer center. These charges vary from vendor to vendor, however. Usually a set fee is charged per citation printed off-line. BRS, however, charges by the page for off-line printing — \$0.10 for the MEDLARS data base and \$0.15 per page for all other data bases. Although these rates are not negotiable, the fact that BRS charges by the page gives the user an element of flexibility and control over the off-line charges, since the actual cost per citation will depend on which data elements are printed. Table 3 shows the average number of citations that can be printed per page depending on the data base and the data elements requested.

Training Costs

Libraries vary in their need for training in the use of on-line services and should be able to negotiate with the vendor for an appropriate level of training. BRS has a standard policy with related charges for both system and data base training, but special arrangements are always possible with reference to the length of the training period required and the number of trainees involved. Standard arrangements are not always appropriate, and the overwhelming importance of adequate training to the eventual success or failure of the on-line service makes it essential that vendors provide as much flexibility as possible in the training arrangements.

Other Negotiable Aspects of the On-Line Service

Aside from the major cost components discussed above, there are other considerations equally important to the customer in the negotiation

TABLE 3. AVERAGE NUMBER OF CITATIONS PER PAGE
FOR SELECTED DATA ELEMENT CONFIGURATIONS

<i>Data base</i>	<i>Data element configurations</i>			
	<i>Default*</i>	<i>AU, TI, SO</i>	<i>AU, TI, SO, DE†</i>	<i>All</i>
BIOSIS Previews	8.5	10.0	8.0	4.5
CAIN	7.5	10.5	10.0	3.5
CA Condensates	7.5	12.0	9.0	4.0
Dissertation ABS	8.5	13.0	7.5	6.5
ERIC	8.0	13.0	7.5	2.5
INFORM	11.5	13.0	—	2.5
INSPEC	8.0	12.0	10.0	2.0
MEDLARS	9.5	12.0	7.0	2.5
NTIS	7.5	13.0	7.5	1.5
Pollution ABS	10.0	13.0	7.5	4.0
Psychological ABS	10.0	12.0	9.0	2.5

* These are the predetermined default paragraph sets listed in the *BRS System Reference Manual*, Appendix VI.

† DE in this case represents descriptors — depending on the data base, there may either be a single DE element or both an MJ and an MN element.

for on-line services. Two of the most important are: (1) nature and length of service obligations, and (2) invoicing and payment procedures.

At BRS, these were found to be the areas where the customer required the most flexibility. Libraries, particularly government and academic libraries, vary greatly in their budgeting requirements, fiscal years, purchasing and payment procedures, etc. It is simply not feasible for a vendor to require standard service periods and payment schedules from libraries having financial requirements of their own. BRS will individualize here, even if it results in additional bookkeeping. Our customers may negotiate to pay monthly, quarterly, annually, or set up deposit accounts. Service periods may correspond to the customer's fiscal year, the calendar year, or any other period preferred by the library.

One of the most popular access arrangements for BRS users has been the subscription. This alternative was suggested by many of the libraries with which BRS negotiated. Since subscriptions are a standard method of purchasing other information resources in the library, it was suggested that this type of arrangement be extended to on-line services. As a result, BRS announced a new subscription access policy in January 1977. Subscriptions are generally paid from a definable and established budget, and many libraries have found that purchasing a subscription to an on-line service makes it easier to incorporate the cost of the service in the library budget. Currently, more than 70 percent of our customers are accessing BRS on an annual subscription basis.

One of the biggest stumbling blocks to the increased utilization of on-line data base services is the difficulty that libraries have in budgeting for or financing computerized reference service. It seems to be harder to find the support for these services than for the computerized applications in other areas of library service, such as cataloging, serials, acquisitions, etc. As a vendor of these services, BRS wants to help ease the budgeting problems by providing as many alternative arrangements as possible.

KEY ELEMENTS IN THE NEGOTIATION PROCESS

In summary, our experience indicates that negotiation is a vital and important process in the vendor/customer relationship regarding the selection of an on-line data base service. The key elements in this process are the flexibility to allow for situation specific needs and cross-situational consistency to ensure trust between vendor and customer that service arrangements are comparable when situations are the same.