The Elusive Cost of Library Software

A question that I’m often asked involves how much a library should expect to pay for automation software. As much as I try to understand all the various aspects of the library automation industry, I have never been able to discover a great deal of data describing what libraries actually pay for their automation products. While I have an informal sense of initial license payment and annual support fees paid by libraries of various types and sizes, it’s based only on sketchy information.

Software Pricing: A Complex Matrix

Software pricing isn’t a straightforward issue, since each procurement involves a special business arrangement between a library and its chosen vendor. I think that it’s reasonable to scale the cost of a product to such factors as the size of the library, the complexity of the installation, the number of simultaneous users, or the quantity of resources involved. While some may feel that it’s odd for different libraries to pay different amounts for the same software, adjusting the cost by these factors generally allows libraries with more modest needs and more modest budgets to pay less than those with more complex needs and larger budgets. The service and support needs for large and complex organizations cost more to fulfill than smaller-scale installations. Library automation isn’t in the realm of shrink-wrap software. Rather, each installation is unique, and it’s advantageous to both the libraries and the companies to peg the price of the software to appropriate indicators.

In the library automation industry, pricing is not only scaled according to multiple factors, it’s also a result of a private negotiation. A vendor will propose a price in response to a request for proposals based not only on its standard formula of size and complexity factors but also on the specific competitive situation. A procurement with highly competitive bidding may result in a different price proposal than might otherwise be offered.

The broader economic climate also plays a role. Inflation, for example, will naturally be taken into consideration in comparing software prices over time. Prices may also vary according to international regions, scaled not only to currency exchange rates but also adjusted in tune with local business realities.

It’s my understanding that most companies have some kind of general formula that they use for calculating the base price for their software that includes such considerations as the modules required, options selected, the size of the bibliographic database, number of patrons served, the number of branches or facilities, and the number of staff users. Yet this base price does not necessarily become the final bid, as other competitive and economic factors come into play.

Hosting options invoke entirely different pricing models. Software as a service (SaaS),
A Veil of Secrecy

Many, if not most, software vendors routinely include confidentiality clauses in license agreements and contracts that prohibit the library from revealing the price paid for the products and services procured. The prevalence of confidentiality requirements impedes the ability of other libraries to have even a general sense of what the various products on the market might cost them.

The absence of public information regarding what libraries pay for software products and the associated annual fees has a negative impact for libraries. It leaves the library community as a whole without the ability to assess the impact of library automation software pricing options. This situation also leaves individual libraries in a weaker position for negotiating with companies for the best terms. Knowledge of what other libraries of similar profiles historically have paid for a similar package of software and services provides a benchmark to assess any given price proposal.

Public Access to Contract Terms?

It only seems fair for libraries to know the prevailing market price for software products. These represent major investments for a library and very long-term commitments. Given that libraries tend to operate a given software product for at least a decade, the price negotiated at the time of procurement has incredible ramifications for the library's budget.

The Association of Research Libraries (ARL) Board of Directors voted in support of a resolution introduced by its Scholarly Communication Steering Committee to strongly encourage ARL member libraries to refrain from signing agreements with publishers or vendors, either individually or through consortia, that include nondisclosure or confidentiality clauses. In addition, the Board encourages ARL members to share upon request from other libraries information contained in these agreements (save for trade secrets or proprietary technical details) for licensing content, licensing software or other tools, and for digitization contracts with third-party vendors. (www.arl.org/news/pr/nondisclosure-6june09.shtml)

There has been recent activity in the realm of pricing for econtent packages. Library Journal, for example, recently published a story describing efforts to gain access to the terms of Elsevier's contract with Washington State University through a request for public records. Elsevier filed a motion in court to block access, which the court denied. In the same vein, many believe that ejournal pricing options need more public scrutiny so that libraries can assess their broad impact. I believe that similar benefits can be obtained by the study of the pricing of library automation software.

Gathering Data on Pricing and Expenditures

It seems that it should be possible to gather pricing data for libraries that
In today's environment, where libraries not only face this new slate of automation models but also face extremely challenging budget scenarios due to the difficult economy, we need all the data we can find to help make informed decisions about our technology strategies. A body of systematic pricing data might help guide libraries as they determine the options available so that they can make informed decisions regarding which offers the best value in short- and long-term technology costs.

Yet the creation of any resource that involves the pricing of library automation software must be done carefully. We've noted the complexities involved in negotiating prices between libraries and vendors. The price that libraries have historically paid for a given set of software and services represents just one of many elements to be considered in making technology decisions. As far as my personal research, I'm interested in assembling aggregate data in a way that will reveal trends related to the competing implementation models. As I've mentioned in previous columns, I believe that the library automation industry will benefit from a higher level of transparency. So among the other movements afoot to enable more openness, I see substantial advantages for libraries in fostering an environment where we have more access to the financial details that underpin the library automation industry.

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