Fee-based Information Services: The Promises and Pitfalls of a New Revenue Source in Higher Education

by Elizabeth A. McDaniel and Ronald H. Epp

Following the lead of other institutions of higher education seeking alternative revenue sources, the University of Hartford established a fee-based electronic information service for off-campus clients. After two years of pilot projects, market research, product identification and redesign, advertising and diverse marketing strategies, high hopes, and financial investment, Corporate Information Services was not yielding anticipated revenue. The service was suspended in May 1994. This article reviews the rationale and development of the service and the lessons learned from the project.

Customer-oriented information research and document delivery services offered by academic libraries and some independent information specialists provide businesses with up-to-date, focused information to meet their business needs. In today's information age, many businesses, associations, and individuals understand the commercial value of competitive intelligence and information research for conducting their operations. Many academic libraries contain the publications and information technologies to access timely information crucial to managing business success.

Academic libraries can enlarge their client base by charging fees for providing services to corporate and professional users who need quick information research and document delivery, but who are not affiliated members of the academic community. Many academic libraries already provide limited information services to non-primary clientele without compensation. The value that libraries add is access (since they have purchased or leased the requisite hardware, software, and telecommunications), a user-friendly gateway, and knowledge brokers who can navigate the increasingly complex network of global information resources. Furthermore, corporate

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information providers promise their clients reliability, responsiveness, and individualized attention.¹

As independent institutions begin to address their over-dependence on tuition, they seek alternative revenue sources. Large research libraries across the country (e.g., Rice University, UCLA, George Washington University, and the University of Wisconsin–Madison) have led the way in establishing fee-based services. In the early 1980s, institutions offering fee-based information services established a discussion group of the Association of College & Research Libraries, called FISCAL (Fee-based Information Services for Colleges and Libraries). Its 1988 directory listed eighty-three fee-based services, and its 1992 directory listed 550. This discussion group shares policies and procedures with members and prospective members, and sponsors workshops at national library meetings on how to establish, market, and expand fee-based information services. In addition to supporting like-minded institutions and professionals, it advocates a new way of thinking about information services in today’s technological and information-based business environments.

The evolution of Hartford’s project

Like many independent institutions of higher education, the University of Hartford—a comprehensive independent institution located in West Hartford, Connecticut—has experienced the financial impact of cyclical full-time undergraduate enrollment. One response to this problem might be to develop alternative revenue sources that are more consistent and predictable. These might include an array of professional services and facilities which could be marketed to the business community. Since some states have established statutes that ban fee-based services in state-funded institutions, private institutions might have a competitive advantage in marketing such services.²

The infrastructure that eventually enabled the establishment of fee-based electronic information services at Hartford was put into place over a seven-year period beginning in 1986.³ The initial step was installing a fiber-optic network connecting most of the academic and administration buildings, including the new library building then under construction. To provide access to other library and off-campus information databases, Computer Services provided access to the Internet in 1989; BITNET had been available at the University since 1985.

In 1989, the University completed a major renovation of the main library complex, combining all library branches except the music library. In 1990, the computer services department and library staff collaborated on an automation project that led to the acquisition of an online public access catalogue (OPAC) along with software that automated the major operating functions of the library. The library system, along with the periodicals catalogue developed by Computer Services, immediately paid dividends, as library circulation increased by 20 percent in the first year following the automation project.

During this period, library and computer services staff began an evaluation of how best to make this information database directly available to students and faculty. Because a few fee-based online services such as DIALOG were only accessible with the help of research librarians, they were infrequently used. Individual CD-ROM databases mounted on personal computers were effective, but this configuration limited access to one patron at a time. In 1993 the CD-ROMs were networked through the OPAC, and usage of these seventeen products proved a resounding success. To facilitate access to campus information, a campuswide information system (called HAWKnet) was developed by Computer Services and installed in 1992.

Phase one: initiating the service

In January 1992, personnel in the offices of Academic Affairs and Computer Services began conversations with the then University Librarian about a project to market online information. Computer Services took the lead, with the libraries and Academic Affairs lending support. During a feasibility study early that year, the University engaged a consultant to assess potential markets.

Several potential products were outlined in a questionnaire sent to over 400 area business and municipal organizations. The questionnaires were followed by a number of focus group meetings where the potential products were discussed in detail. The products being considered were:

- Access to the University’s campus network and libraries
- Access to a commercial database vendor with 750 databases
- Research and document delivery
- Training courses in information searching and retrieval
- Access to faculty expertise
- Access to reports on research being conducted at the University
- Library automation consulting and assistance

While there was some appeal among the focus group members for each of the above, it was determined that the University would be best served to concentrate on a few of these items for the commercial market.

³ Harry L. Dillman and Morris A. Hicks, “Reorganizing for Information Technology Management on Campus,” CAUSE/EFFECT, Fall 1990, pp. 4-6.
Computer Services installed a network connection to a database vendor in Philadelphia and additional telephone lines, including a 1-800 number. In the fall of 1992, the University decided to move forward with a four-month pilot of the fee-based information project. A budget for the pilot service, called The Corporate Librarian, was developed to support twenty hours per week of the consultant’s time for marketing and training member clients on the uses of the online service; twenty hours per week of additional information research staff support; and secretarial/budget support provided through Academic Affairs.

In a business climate where local corporate libraries were downsizing or closing, focus groups and corporate librarians predicted that corporations would be interested in purchasing memberships to our information services to supplement research and document delivery services of overworked corporate or public libraries. It was assumed that individual managers and executives of corporations wished to conduct online research themselves from their office or home computers through a commercial vendor providing access to 750 databases. In addition to annual membership fees, an ongoing source of revenue was to be a percentage of the online database fees negotiated with the vendor.

Both kinds of corporate customers were identified and, as the primary marketing strategy, the consultant sent letters to—and/or made telephone contacts with—local corporations. The consultant conducted demonstrations of the online capabilities of the system at various locations in the area, including some corporations. Sales targets were established for the number of corporate members to be enrolled by March 1, 1993.

Although the original market for The Corporate Librarian was envisioned to be corporations enrolled with annual memberships that would entitle users to access databases from their office computers, it soon became clear that more flexible usage was desired. The target of twelve corporate memberships was not met, but as word of mouth about the services spread, inquiries increased about information research on an ad hoc basis. The next phase of the project began with the appointment of a full-time director and a change of name to Corporate Information Services (CIS). Marketing continued to offer memberships to businesses, but added information research and document delivery to a wider range of occasional customers, believing that they might be recruited as members at a later date.

Phase two: formalizing the service

During the next twelve months, the University attempted to support and institutionalize CIS. The project began with the installation of telephone lines and a network connection to a database vendor. Computer Services provided office space (a desk with computer), hardware and software, and shared administrative services, as well as significant encouragement and technical support. The reporting line of the new director moved from the associate vice president for academic affairs to the director of libraries and learning resources. This change was designed to promote closer coordination of personnel and information resources as well as to integrate fee-based information services as an emerging library function. The full-time CIS director was joined by a half-time information research assistant.

A few months into phase two, the CIS office moved to the main library, where staff could share a facsimile machine with Interlibrary Services, holdings of the library could be accessed more directly, and CIS staff could work more collaboratively with library personnel. Library reference staff provided assistance in identifying and locating the society publications, industry standards, and highly specialized journals that were most in demand by CIS clients. Many resource needs could not be met by our collections and had to be requested from other academic institutions and commercial providers.

During this phase, a direct-mail marketing campaign was conducted, including letters and brochures describing the new service that were mailed to more than 400 local companies and individuals. At the same time an advertising campaign in the regional daily newspaper and specialized business periodicals was designed to attract public attention. In response to inquiries, the staff distributed printed information, answered specific questions, and conducted personal demonstrations of the online research capabilities. Three-quarters of the way through phase two, a marketing consultant was hired to review the marketing activities and advise new strategies. He suggested greater segmentation of the market, including packaging of services to meet particular types of businesses, and more face-to-face contact with businesses, all intensive activities which would require a full-time marketing specialist.

Denise of the service

One year after phase two of the project was initiated, the original expectations for both the number of customers and volume of business had not been realized. While experts in fee-based
services at other institutions advise that it takes at least one year to establish the infrastructure for providing services, to market the service, and to establish the client base, we had not generated a sufficient level of demand in that timeframe. We compared CIS against the average fee-based service which works with 100-125 clients each month and delivers about a thousand documents to those clients.4

The University made a significant financial investment in this project, but little revenue was generated. Throughout the year, especially in the last six months of phase two, close scrutiny was given to marketing efforts and to employing strategies to minimize expenses. After careful review of the income and expenses of Corporate Information Services at the end of the second phase, and the realization that significant additional investment was needed in marketing to make cost recovery a possibility, the University decided to suspend CIS.

Lessons learned from the project

The University was a novice at marketing fee-based services to the business community. To be successful in these ventures, we needed to refine our products and our presentation to appeal to potential customers. What did we know about potential customers? Did we have sufficient demographic, geographic, and psychographic data to support our marketing effort? Moreover, did we focus on how our service could improve the realization of one or more aspects of the corporate mission: innovation, quality, sales, and growth?5

Were the right people in companies receiving our direct mail literature? The materials about Corporate Information Services mailed to CEOs or corporate libraries may never have reached managers, directors, planners, and department heads who needed our services. Identifying avenues to officers who have the greatest information needs was one of the biggest unmet challenges.

Institutions have too frequently assumed that businesses understand the value of information and the value added by information brokers, within or outside academe. Library staff suspected that corporate clients may have viewed our services as more mechanical than bibliographic. We asked ourselves whether the University had adequately marketed the CIS director as a knowledge broker experienced in making distinctions between information that is useful and information that is not, a sophisticated activity called information filtering.6 Moreover, anecdotal evidence from FISCAL providers suggests that “Corporate America” has not demonstrated a continuing need to access fee-based library-bound information.

Many businesses of all sizes have very recently looked away from academe for information, opening their pocketbooks to purchase hardware and software to mount and access services on commercial networks like America Online and Prodigy. In the early months of 1994, Business Sources on the Net (BSN) was initiated; it represents itself as a comprehensive index of business information accessible on the Internet at no cost.7 However, the breadth and complexity of the Internet make it difficult to locate and retrieve resources without a skilled navigator—perhaps motivating clients to use CIS for skilled, fee-based information retrieval.

While electronic access may appeal to businesses large and small, the CIS effort in late 1993 to target smaller businesses may have been misdirected. Despite the media hype about the impact of the information revolution on the business community, we learned that smaller businesses disregard libraries, favoring personal and informal sources of information. Customers, suppliers, vendors, distributors, attorneys, and even competitors predominate over printed materials as resources.8 When libraries are referenced, academic libraries are chosen after business and public library resources have been exhausted.9

The pricing of services was a continuing concern. We wanted to set prices for research and document delivery, for the occasional user and the corporate member, at rates that would cover expenses and yield a profit for the University. We knew that the risks were considerable, since a University of Georgia survey found that only 30 percent of fee-based services reported annual revenue above $50,000.10 We were also sensitive to the need to make the fee structure competitive with other providers to encourage frequent patronage by new and continuing customers. We also needed to be sure that research and document delivery did not consume staff time, leaving them “busy but broke.”

The holdings in a research library are more extensive than those in a comprehensive university library. Corporate users rarely seek anything beyond statistics, investment listings, demographics, manufacturing trends, and production levels.11 In many cases these quantitative data were not available in our collections, and appropriate publications had to be located and requested from external providers, adding to overhead expenses and reducing “profit.” Better communication with existing fee-based service providers about the kinds of materials requested might have helped us better anticipate the adequacy of our collection to satisfy the information

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9 Correspondence to the author; personal communication, March 1994.
10 According to a survey conducted by Markets of America, 20 companies reported an annual revenue exceeding $50,000. A recent survey by the American Library Association shows that fee-based services reported a mean annual revenue of $50,000 or more.
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needs of prospective customers for the new service.

Many of the prospective customers for CIS appeared interested in the human intellectual resources of the University. Many were interested in information that can be supplemented by the expertise of university faculty. Referrals to knowledgeable faculty for interpretation or analysis of information was sought by some prospective clients. A faculty consultation network, as a complement to fee-based information services, might provide businesses with access to faculty expertise. This arrangement would provide faculty with access to administrative support that they may need in these outreach activities (i.e., clerical, contracting, and billing services) that an “outside” consultant would have to find independently.

A vision for fee-based services

As it was envisioned, CIS would have a core of corporate members with passwords. Their managers would conduct their own information research and call upon CIS to provide document delivery. A much larger group of individuals from the business and professional community would request occasional information research and document delivery. Members of the University community, including faculty and administration, would also be regular and consistent users of the service because of its personal service and speed in delivering documents. Students conducting their own research in the library would request document delivery for a fee for items they needed quickly. CIS could be a well-integrated part of the library and a well-respected University service to the community. It would connect business executives and professional managers to the University in ways that contribute to the success and well being of their businesses. These associations would enhance the University’s reputation as a source of valuable information, contribute significantly as a revenue source for the University, and provide a service to actual or prospective donors to the University.

With the suspension of CIS last year, all members of the community associated with the project were disappointed that our investment of energy, enthusiasm, and resources did not yield more substantial revenue. Some believe that CIS needed more time to attract customers through more extensive advertising and marketing. It is well recognized that in their first few years such enterprises are especially vulnerable to profitability concerns, management changes, and marketing problems. Others close to the service believe that one important condition for the success of a fee-based service was not in place—strong collections in the disciplines being accessed. The consequence was both staff time and considerable expense to satisfy client demand through commercial document delivery providers. Others believe that the current fiscal condition of the University and the climate of the business community in which we reside are not at this time conducive to fee-based information services.

In summary, our venture in fee-based information services was not financially successful. In this particular exploration of new revenue streams, this learning experience has better prepared us for managing risks that are unavoidably a part of applying information technologies to higher education. We hope that the insights we gained from this experience can be useful to other institutions considering the establishment or discontinuance of fee-based information services.

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13 See Barbara Stump’s “Ideal Conditions for Fee-Based Service” in Fee-Based Services in ARL Libraries, op. cit., pp. 55-56.