

Lindsay Davis  
C. Koontz  
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## Assignment 10

**1. Identify the major (monetary and non-monetary) costs one might incur when visiting/using a library (or any other nonprofit.) Review the article 'Marketing Mix,' before answering this portion of the question.**

Koontz's article, "Marketing Mix," indicates that "[p]rice is what people give up to obtain a product. That price may be 'dimes,' which we all understand, but alternately it may be time, or anything else of value to the other person" (2002). The monetary costs one might incur when visiting or using a library include gas, parking fees, bus fees, printing costs, late or replacement fines for materials, buying a book bag to carry books home or to the car, etc. Non-monetary costs can involve time, the time it takes to drive to the library or wait for the bus, or perhaps a library event is at an inconvenient time. Waiting in line is a cost. Feelings are also costs. There may be frustration from not being able to find a parking spot. Non-native English speakers may be too embarrassed to ask questions because of their English skills. Some may feel that the library is not safe because of the types of people who may be there (the homeless, drug abusers, child molesters, etc.).

**2. Select a product/offer of your choice. If you managed a library (or another nonprofit), which costs associated with this product/offer might you try to reduce? Why? What steps would you take to reduce the costs you identified?**

At the Stanislaus County Library, library users can place holds over the phone, online, or can even make requests in person. When a hold is ready (the moment the book is scanned), an email or automated call is sent to the phone number or email address (this depends on how the customer has set up his or her account when they applied for the card) attached to the library card indicating their item is ready. Holds are placed on a series of low shelves next to our new fiction and nonfiction books and kept up to a week's time.

There are many costs associated with this service, such as the time it takes to make a hold. For those who have never placed holds online before, it is not very clear how to do this on our website or catalog. Users may have to be put on hold when they call to make a hold. Another frustration is that because one can never know when library users will return their materials, being number four on a list may sound like a short time, but it can be a long time before the item becomes available. Also, library shipment from other branches can take several days as drivers have reduced hours and do not make deliveries every day.

Once the library user comes to pick up his or her item at the branch he or she has indicated for pickup (those placing their own holds may miss this important option), it is not necessarily clear where exactly to pick up the item. In the Modesto branch, DVD holds are kept in the backroom of the circulation department, all other holds are located in the shelves mentioned above. If the hold that is not a DVD is not in the shelves, it means that the hold is probably still on the carts getting ready to be shelved out. When library users ask, I try to first ask if they got the "notice today." If so, I tell them it just hasn't made it out to the shelves, but that I will get it for them. It

is frustrating because a lot of time is wasted trying to figure out where to go. Some users also complain that seven days is not enough time to pick up the item, which is understandable for those who have limited means of transportation.

Reducing the frustration associated with making online holds and where to go once the item is ready for pick up are some of the easiest fixes the library could make. With free screencast software like Jing or the power of YouTube, reference librarians or circulation staff could make a short tutorial demonstrating how to place the hold, noting things like making sure the correct library is chosen and that the contact phone number or email address is valid before making the hold. Library users can call circulation to update their library account. This should be placed on the website. Another way to reduce frustration is signage. Currently, there is not a sign indicating where the holds are kept, nor is there a sign indicating where to go for DVD holds or non-DVD holds at the entrance/circulation/information desk area. There should also be a sign more or less says: “Can’t find your hold, but you got the notice today? See us at the place where you check out materials, so we can help.”

Signage, and perhaps maybe even putting a YouTube video showing the scenarios on the website and/or written information, would help. The more information given, the less confusing it would. The only problem is that some branches do things a bit differently. Patterson, for example, keeps all its hold behind the desk, while others, including some smaller branches, keep them open for customers to retrieve for check-out.

**3. Describing the five pricing objectives, give examples of agencies/organizations and how each might benefit from the pricing objective. Which objective or combination is suitable for a nonprofit of your choice, library or museum. Please substantiate (pp. 379-383.)**

According to Andreasen and Kotler (2003), “The first thing an organization must decide in developing a price or pricing policy is the objectives that it wants to achieve. Often the objectives are in conflict, and a choice must be made.” The five pricing objectives are surplus maximization, cost recovery, market size maximization, social equity, and market disincantivization.”

**Surplus maximization** refers to making a profit. Girl Scouts of America, for example, sell cookies every year as part of their fundraising campaign. Because the purpose is to raise funds, the Girl Scouts must sell the cookies at a price that provides a profit after paying the costs to make, package, ship, and market them.

Organizations operate under **cost recovery** when their aim is “to recover a ‘reasonable’ part of their costs. Andreasen and Kotler explain that monopolistic nonprofit organizations like the postal service and toll booths charge prices to help them recoup costs, although they could charge much more as the only organization responsible for the service but do not because of public outcry. Universities and public transit aim to recoup the costs to operate the organization or service. Other monies must be garnered from grants, donations, bonds, or taxes. Some organizations, however, seek to recover all of their costs. The Stanislaus County Library system seems to partially operate under cost recovery. Eighty-seven percent of its operating budget is

funded by a 1/8 cent sales tax (constituents will vote whether to keep this sales tax in the June 2012 election; the current tax does not expire until June or July 2013).

**Market size maximization** refers to organizations who charge very low fees to attract more people to services. This can bring more money in over the long run. However, as Andreasen and Kotler suggest, this is not always the case because low or reduced cost carries the image that the service or product is of lower quality. Public libraries, like the Stanislaus County Library, do not charge library users for library cards except in the event that someone wants to replace a card. Replacements are \$1. We do not charge money for checking out DVDs, which is not the case for all library systems. Late fees for items are 25 cents per day per item. Children's materials, including DVDs, max out at \$2, while adult materials, including DVDs, max out at \$10. Customers can check out new items if their late fees are five dollars or less. The library also works out payment plans with customers who may be burdened with an accumulation of fees. For printing from computers, the first two black and white copies are free and then are 10 cents thereafter. Color copies are 25 cents per page. Programs, like community presentations, computer classes, and children's story times, plays, and puppet/magic shows are absolutely free.

The library's *Strategic Plan 2011-2015* indicates that "[t]he library is a great bargain" (2011, p. 4).

The Library keeps raising the bar on output even as its revenues and staffing have declined. The Library's per capita expenditure, about \$16 in 2009/10, is among the lowest of 21 jurisdictions in California serving 500,000 or more residents... The cost is minimal to the community, about \$1.66 per household per month, or \$20 per family per year. (2011, p. 4-5).

After reading Sass' (2002) article, I think that although this was meant to show that the library is not an "economic burden" to the community, it does so in a way that may not be as effective as combining its low cost with the great service provided, etc. Unfortunately, "bargain" is not a good word choice—value is a better, more accurate word to use.

**Social equity** considers the burden of those with lower incomes. Andreasen and Kotler write, "Our concepts of social equity hold that, wherever possible, public (and by extension, nonprofit) services should not operate to transfer wealth from the poor to the rich" (p. 382). It is helpful to have an understanding here about different types of taxes. Sales tax is a regressive tax. Although it is one percentage for all, those with less money are hit harder than someone who makes significantly more money. Progressive taxes, like income tax brackets, are more "fair" in that the tax is in line with income. The Stanislaus County Library system is funded from a 1/8 cent sales tax. Since sales tax is a regressive tax, *more* of a poorer person's total income goes to fund the library than more wealthy individuals. Andreasen and Kotler explain that it may be better to charge more for services that wealthier people tend to use more often, but I find this to be a misleading solution. This poses an equitable access challenge for those who are poor who would like to use the service or who use it once in a while.

**Market disincentivization** is a method whereby a nonprofit tries to discourage use of a service or product by increasing a variety of costs, including money and time. “There are many reasons an organization may want to do this. It might consider the product to be bad for people; it might want to discourage people from overtaxing a facility; it might be trying to ration demand to solve a temporary shortage; or it might want to discourage certain classes of buyers” (Andreasen and Kotler, 2003, p. 382). At the Stanislaus County Library, only four DVDs can be checked out per card (we do get families who bring as many as four or five cards at once). My impression of why this is done is because our DVDs are quite popular, and we do not have as many DVDs as we have books and other materials. If people were able to check out as many as they wanted, we would not have a very wide selection, which would appear frustrating for those who browse rather than look for individual titles or subjects in the online public access catalog. Another reason I think the library has this policy is that DVDs tend not to make it back to the library as often as books. We have quite a few “lost” copies of the *Diary of a Wimpy Kid* movie. Having the limit of four keeps lost copy numbers lower and also helps ease shortages.

### **Suitable Price Objectives for a Public Library (Stanislaus County Library)**

There are times when a public library might use any of the above pricing objectives depending on the specific program, project, service, or product. A Friends group could sell tickets to a garden gala featuring authors, artists, government officials, or celebrities (it could happen!) at a price that would draw a profit for a specific cause (surplus maximization). Partial cost recovery seems to be a socially acceptable pricing policy. The organization does not look greedy, and most people can understand that “there is no such thing as a free lunch.” In today’s economic downturn, many public libraries struggle to garner the funds for operating budgets and do rely on gifts and grants. Maintaining is a very scary place to be for an organization, but it is a reality for many nonprofits. Public libraries, as they are beacons for the public good, often use market size maximization. With the high unemployment rate in Stanislaus County, having somewhere to go for free materials and access to the Internet (free as in no fees for usage—except if items are late) is a relief for many families and people. The Stanislaus County Library *Strategic Plan 2011-2015* indicates:

The use of the Library has grown dramatically over the last five years. Customer service transactions reached nearly 3.59 million last year. This is nearly double the transactions of five years ago. Even with the Library’s unfortunate reduction in hours over the last three years, circulation, computer use, and virtual visits through the Library’s web portal are at an all-time high. (p. 4)

One aspect that I think the library may not realize is that it could be doing more to ease the burden on the poorer people who use the library. For example, for people who need to save documents they are working on in order to upload them to, say, job applications, many of these people just do not know they need to bring something to save their work on. Library users are unable to save to the desktop computers, and are “stuck.” Unfortunately, the solution is to “sell”

\$10 thumb drives. We recently stopped selling \$1 floppy discs because they are fragile (people do not buy cases anymore, nor did we sell them) and newer computers just will not have floppy drives. I do not anticipate the library will get new computers any time soon. There has to be another way to help those who need to apply for jobs that does not cost so much time, energy, and money. Above, I mention that the market disincentivization tactic is used with the Stanislaus County Library's DVD collection. The four DVDs per card limit helps keep our stock from looking bleak and it also helps cut down on the number of DVDs that do not make it back to the library. If the limit were 20, we could lose as many as 20 DVDs at once!

## References

- Andreasen, A.R. & Kotler, P. (2003). *Strategic marketing for nonprofit organizations* (6<sup>th</sup> ed.). Upper Saddle River, NJ: Prentice Hall.
- Sass, R.K. (2002). Marketing the worth of your library. *Library Journal*, 127(11), 37-38.
- Stanislaus County Library. (2011). *Strategic plan 2011-2015*.