



**Final Report
Global Advisory Group
on Credits and Incentives**

April 2013

Global Advisory Group on Credits and Incentives

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II. Executive summary

The Final Report of the Global Advisory Group on Credits and Incentives includes recommendations that are directly responsive to our charge from OCLC Global Council “to conduct an analysis of the current system of financial credits for contribution and create an updated incentives program.”

Over the last 18 months, the group has met frequently to review and understand the role and impact of the current Financial Credits Program. The group reviewed:

- Program design and intent
- Impact on member contribution and resource sharing
- The financial impact of the program
- Fit for purpose for the global Cooperative going forward.

We sought feedback from members through a broad set of engagements, including:

- Discussions at Global and Regional Council meetings
- 15 focus groups
- Webinars, teleconferences and listserv communications
- Many one-on-one discussions.

The Financial Credits Program was established in 1985. At the time, OCLC cataloging and resource sharing systems and pricing methodology were based on units of activity. The library workflows dictated by OCLC systems demanded a higher volume of transactions and, thus, higher costs for original cataloging and resource sharing activities. In response, the Financial Credits Program was established to mitigate the excess search cost disincentive to encourage contribution and sharing. Thanks to technology advances and a move from transaction pricing to subscription pricing in 2006/2007, excess charges to members due to increased system usage have been eliminated.

The advisory group has been strongly influenced by member views and assessments. We learned:

- The commitment to our Cooperative’s shared values and principles are the primary motivation behind library membership and participation
- The Financial Credits Program has achieved its goal of encouraging activity
- Collaborative cataloging, record enhancement and interlibrary lending are the heart of the Cooperative and have become the new norms
- Recognizing and celebrating these norms remains vital.

The Financial Credits Program was created primarily as a North American program and remains so today. While it is used by approximately one-third of member libraries, it has not evolved as a global program within our increasingly global Cooperative.

Based on our review of the program, discussion with members and analysis of the needs of the global membership, the Global Advisory Group on Credits and Incentives believes that the Financial Credits Program is no longer in synch with the norms, collection management practices or member composition of the Cooperative.

The advisory group recommends that the program be gradually phased out over time in a manner that promotes and recognizes member contribution and sharing, and minimizes any financial impact to

members currently participating. While the Cooperative sunsets the current program, it should support development of new mechanisms that celebrate and encourage member cooperation and sharing in support of our common purpose of furthering access to the world's information.

Two recommendations are proposed:

Recommendation 1:

The Financial Credits Program was established in 1985 to incentivize increased cataloging and resource sharing activity by North American member libraries. The program was designed to remove a financial burden, as contributing or sharing resources required additional OCLC system transactions, and therefore additional per-unit transaction costs. Much has changed over the past 28 years. OCLC has upgraded technologies and has migrated from a per-unit pricing methodology to a subscription methodology, removing system constraints and excess system costs for contributing or sharing. The membership has grown well beyond North America and sharing of intellectual contribution and resource sharing is the norm for members of the OCLC Cooperative.

The Financial Credits Program is no longer in synch with the norms, collection management practices or member composition of the Cooperative. The advisory group recommends that the program be gradually phased out, beginning July 1, 2014.

OCLC management should utilize a transition approach that recognizes the ongoing importance to the Cooperative of the contribution of all types of intellectual capital and sharing of member contributions. The transition method should minimize the financial impact to members currently participating in the program.

Specific recommendations on transition methodology to achieve this aim are included on pages 16–17 of this report.

OCLC staff should conduct webinars and provide other avenues for communicating with the membership over the next 12 months as the transition plan is developed and implemented.

Recommendation 2:

It remains important that the Cooperative support and encourage mechanisms that promote and encourage cooperation, sharing and participation across member libraries in support of our Cooperative's mission to further access to the world's information.

The advisory group recommends that future mechanisms created to encourage stronger global cooperation exhibit the following characteristics:

- They should provide for global participation and be inclusive of the broad membership.
- They should support and incentivize behaviors that the membership aspires to become normative. Once the new behaviors become the norm, they should be celebrated, but no longer incentivized.
- They should be reviewed by the Cooperative's governance bodies—including Global and Regional Councils, the Board of Trustees and OCLC management—to ensure that they support the Cooperative's "Shared Values and Membership Principles." (Appendix D)
- They should be flexible and adaptable to evolving types of contribution and sharing in an increasingly digital world.

II. Background

Why is the program being reviewed?

The Financial Credits Program is being analyzed at the request of the OCLC Global Council.

Over the last four years, several member-led bodies have been engaged in the evaluation and analysis of OCLC cost-sharing models. In June 2011, the Global Council Cost Sharing Task Force issued a set of recommendations to the membership and OCLC management including:

- Increasing awareness of nonrevenue-generating activities of the Cooperative
- Reestablishing a Global Council Finance Committee
- Reviewing differential pricing for the increasingly diverse membership
- **Reviewing the current Financial Credits Program.**

The Global Council Cost Sharing Task Force recommended that: “OCLC Management should conduct an analysis of the current system of financial credits for contribution and create an updated incentives program. Such an analysis should take into account:

- The original purpose of credits
- Cost of administering the system
- Potential for providing incentives for new or different activities
- Applicability across regions
- Projections of financial impact on members and OCLC.

Global Council should discuss these findings and provide feedback on any potential changes prior to implementation.”

What factors prompted the review?

While the activities and shared values that the Cooperative embraces, including original record contribution and sharing of resources, are as vital as ever to our global membership, many of the technological and pricing methodologies of OCLC have changed significantly since the Financial Credits Program was created and rolled out to libraries in North America in 1985.

And while the composition of the membership, library collection and management practices, and geographic representation have also changed significantly over the past 28 years, the Financial Credits Program has remained substantially unchanged. Today, the program provides financial credits to members for cataloging and interlibrary lending activities, and remains primarily tailored for OCLC member libraries in North America. It is not a global program in an increasingly global Cooperative. Approximately one-third of member libraries participated in 2012.

In 2012, Global Council delegates reaffirmed and updated the “Shared Values and Membership Principles of the OCLC Cooperative” to reflect the changing, and enduring, principles and norms of the Cooperative (see Appendix D). Global Council believed that it was also time to review and update the Financial Credits Program.

What work has been done?

The Global Council appointed an advisory group from Global Council and member libraries to provide the OCLC membership and OCLC management with recommendations and guidance. The advisory group convened in November 2011. The group's activity has included studying the background, benefits and limitations and financial structure of the current Financial Credits Program. The group analyzed how an incentive program fosters the values of the Cooperative in our increasingly global, digital environment.

The advisory group met six times over the past 18 months and received member feedback throughout 2012 and 2013:

- Two Global Council discussions, April 2012 and November 2012
- Roundtable discussion at Americas Regional Council, June 2012
- 15 focus groups—ARLs, academics, resource sharing libraries, public libraries
- Active discussion cataloged on the OCLC-CAT listserv
- Webinar—270 librarians attended a 1.5-hour session
 - Majority of attendees were cataloging practitioners
 - [Responses](#) to questions submitted during the webinar were posted to the OCLC website and OCLC-CAT listserv
- A [detailed FAQ](#) was published for the membership in January 2013
- Discussion and update with the EMEA Regional Council Executive Committee in March 2013.

What credit program changes have been made to date?

One structural change was made to the Financial Credits Program in fiscal 2013. The total cataloging and ILL credits that can be applied to a library's OCLC billings were capped so that the maximum credits earned annually cannot exceed a library's total annual OCLC billings in the previous fiscal year. Credits earned can be applied to a library's invoice and will be applied on a FIFO (First In, First Out) basis. For fiscal year 2013 forward, any unused credits can be applied to the OCLC invoice for the following two fiscal years.

All credits earned prior to July 1, 2012, will not expire. These credits will continue to carry forward until all credits have been applied against OCLC products and services.

This change impacted a very limited number of libraries—about 100 libraries in fiscal 2012. No other changes to the program have been made.

There has been some confusion about whether or not this cap impacts the ILL Fee Management (IFM) program. IFM is not a part of the Financial Credits Program. The IFM Program was established to allow libraries to more effectively manage ILL charges between libraries. IFM enables libraries to reconcile resource sharing fees and payments to and from libraries through their monthly OCLC invoices, eliminating invoices and check writing for individual transactions between libraries. The change made to the Financial Credits Program in fiscal 2013 does not impact IFM.

III. Analysis of the current program

Origin of the program

The Financial Credits Program was established in 1985. At that time, OCLC's pricing methodology was a transactional model based on unit activity, such as per-unit search activity. System workflows dictated that libraries performing higher levels of original cataloging (contribution) had higher unit search activity resulting in higher search units and higher costs. Libraries were charged for excess searches above a set threshold. The program was established to mitigate the excess search costs associated with original cataloging to encourage contribution by removing this financial burden.

Credits also were established to encourage resource sharing. A resource sharing credit was provided for each item loaned through the OCLC Interlibrary Loan system.

It is important to recognize that the Financial Credits Program has accomplished its intended goal. Original cataloging and interlibrary loan activity have increased from approximately 1 million original record contributions and 2.7 million interlibrary loans in 1985 to almost 38 million original record contributions and more than 9 million interlibrary loans in 2012. Contribution and resource sharing activities have become recognized as the norm by the OCLC membership and based on subscription pricing for unlimited use there is no longer a financial burden for participation. Thanks to technology advances and the move to subscription pricing, excess search costs associated with original cataloging and record enhancement were eliminated—a primary goal of the program.

The move to subscription pricing

In 2006/2007, OCLC moved from transaction-based pricing to a subscription pricing model. Members were no longer charged on a per-unit basis when using OCLC cataloging and interlibrary loan services. The Financial Credits Program, however, remained based primarily on transactional activity related to original cataloging and interlibrary lending.

When both pricing and credits were transactional, a one-to-one financial balance existed. One unit of search cost was offset by one financially equivalent credit. After the change to subscription pricing, an imbalance in this logical relationship occurred in some cases. While subscription prices were fixed, financial credits remained based on varying units of activity for most members. Therefore, credits earned by a member could exceed the cost of that member's subscription. This has occurred but is not commonplace. In fiscal 2012, approximately 100 member libraries had credits that exceeded their total annual OCLC billings. Credits previously earned by these members were retained as a part of the libraries' account balances to be applied to the future costs of their OCLC services.

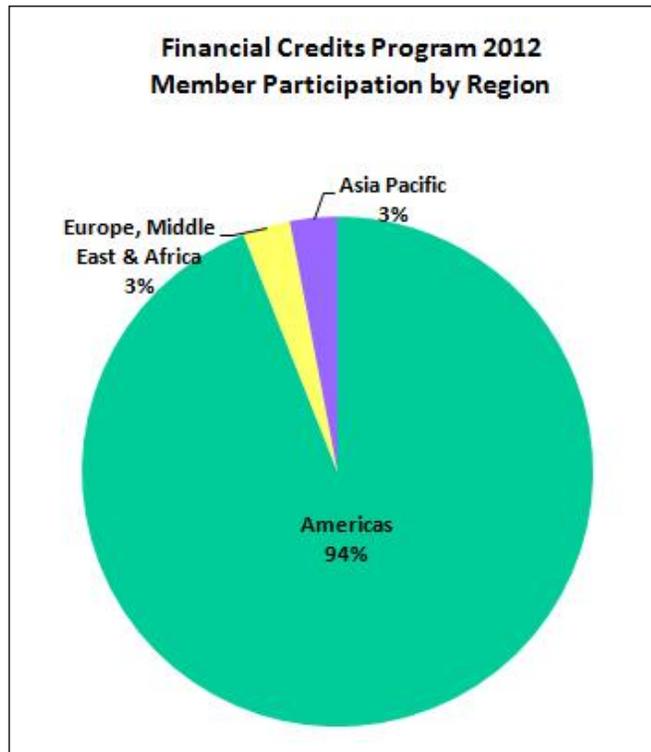
The change from transaction to subscription pricing was made so that libraries could use the services as much as needed without the worry of added cost. This change in pricing model has proven valuable to members. Subscription pricing has lowered the overall unit cost to libraries, while supporting significant growth of WorldCat. The catalog now contains over 290 million records, and is approaching 2 billion items, which has increased the visibility of library holdings on the Web and decreased per-unit cataloging costs.

As outlined in the *2012 OCLC Annual Report*, if OCLC pricing was still transactional, cataloging costs for participating libraries for fiscal 2012 would have been \$81.6 million. Under the unlimited-use subscription method, subscriptions totaled \$53.1 million.

Who participates in the program?

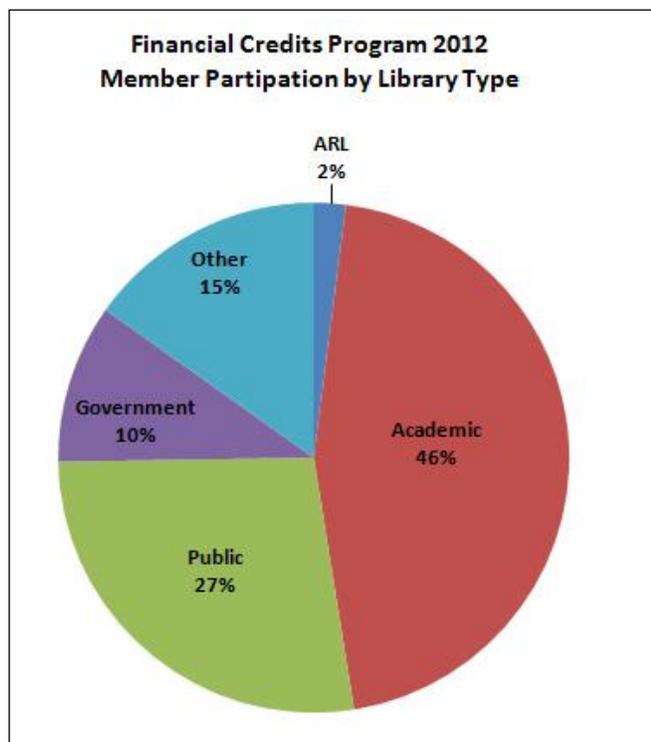
In fiscal 2012, 7,764 or 34% of the 22,599 OCLC member libraries participated in the Financial Credits Program:

- 94% (7,278) are from the Americas
- 3% (263) are from Europe, the Middle East, and Africa
- 3% (223) are from the Asia Pacific region.



Of the 7,764 members, participation by library type includes:

- 2% of program participants (125) are academic research libraries
- 46% of program participants (3,514) are academic libraries
- 27% of program participants (2,122) are public libraries
- 10% of program participants (791) are government libraries—federal, state, municipal, national
- 15% of program participants (1,212) are other libraries—school, association, foundation, consortia, corporate.



The 2012 financial credits earned by member libraries:

- 23% academic research libraries
- 33% academic libraries
- 15% public libraries
- 11% government libraries—federal, state, municipal, national
- 18% other libraries—school, association, foundation, consortia, corporate.

In addition to member contribution, publishers, material suppliers, e-content providers and other partners also provide records to WorldCat. OCLC contracts with each of these vendors for their records. They do not participate in the Financial Credits Program.

How are financial credits funded?

The member investment in the Financial Credits Program totaled \$22.2 million in fiscal 2012. **Credits are both earned and funded by members.** It is a cost-redistribution program. The program is funded through member subscriptions and members receive credits through qualifying activities, such as cataloging or interlibrary lending.

The investment in the Financial Credits Program has increased from \$15.7 million in fiscal 2006 to \$22.2 million in fiscal 2012. As the program is a cost-redistribution program, extending or expanding credits into new geographies or within the geographies currently utilizing the program would require increases in the prices to all members to offset the increase in credits paid to the members participating in the program.

The amount of financial credits received by each of the approximately 7,800 member libraries that participate in the program varies widely. In fiscal 2012, most libraries received less than \$1,000 in credits. About 71% (5,526) of libraries received less than \$1,000; 95% (7,413) of libraries received less than \$10,000 in financial credits.

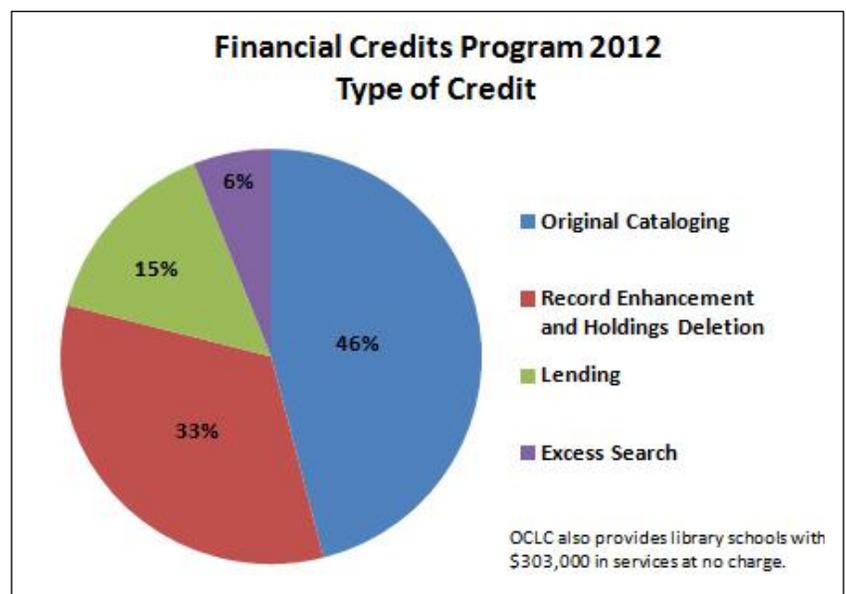
There are costs associated in administering the program, including maintenance for the tracking and allocating of financial credits, accounting system upgrades, and annual program auditing and oversight. It is estimated that the approximate annual cost of administering the program is \$200,000–\$300,000.

What are the different types of credits?

There are four general types of credits. These include: original cataloging credits, lending credits, record enhancement and holdings deletion credits, and excess search credits.

There are various types of record enhancement credits, including CONSER credits, database enrichment credits, minimal upgrade credits and holdings deletion credits. There is one type of resource sharing credit, provided for lending.

Excess search credits are credits received for search volumes that exceed a specified monthly threshold.



By financial investment, approximately

- 46% of credits earned in 2012 were for original cataloging credits
- 15% were resource sharing credits
- 33% were record enhancement and holdings deletion credits
- 6% were credits for excess searches.

Most of the credits earned in fiscal 2012 were for members in the Americas (74%); 17% were from Europe, the Middle East and Africa; and 9% were from the Asia Pacific region.

Note that the ILL Fee Management (IFM) program is not part of the Financial Credits Program and it is not under review. The IFM Program reduces work and makes the ILL payment process more efficient by eliminating invoices and check writing for individual transactions between borrowing and lending libraries. OCLC facilitates the IFM payments via the OCLC billing process.

How are credits reflected on member invoices?

Today, financial credits are applied to member invoices in one of two ways: on a per-unit method or via a “netted into subscription” method.

Under the per-unit method, credits are applied to a member’s invoice based on actual units of activity. Credits are earned at a rate defined on the annual OCLC Price List for qualifying original cataloging, record enhancement, lending and other types of credit activity. Because the amount of credit is based on activity levels, the amount of total credits that a member receives varies from year-to-year.

Under the “netted into subscription” method, a fixed credit amount is derived based on historical credit activity levels. The fixed credit amount is netted with the annual subscription rate. The credit amount does not fluctuate with original cataloging, record enhancement, lending or other type of activity.

Prior to 2006, all credits under the Financial Credits Program were received using the per-unit method. When OCLC moved from a transactional pricing system to a subscription pricing system in 2006/2007, member pricing moved from a per-unit basis for cataloging and metadata management services to an annual subscription basis. Before the transition to subscription pricing, members were invoiced for service activity on the per-unit method and financial credits were applied on a per-unit method.

During the transition, members were provided with an option: continue to receive financial credits on the per-unit method or incorporate (“net”) their historical per-unit credit activity level against their ongoing annual subscription fees. For ease of management and budget planning, some libraries chose the “netted into subscription” option.

Many group subscriptions (consortia, state, etc.) for cataloging and resource sharing also utilize the “netted into subscription” approach. The majority of members in the EMEA and Asia Pacific regions participating in the credit program also incorporate their credits into the annual subscription price.

See Appendix B for an example and more information about these two methods.

The following chart outlines the composition of the \$22.2 million fiscal 2012 financial credits. Of the \$22.2 million in credits, \$12.4 million or 56% of credits are received by members under the per-unit method, while \$9.8 million or 44% of credits are received under the “netted” method.

Financial Credits			
FY2012, in \$000			
Type of Credit	Per Unit	"Netted" into Subscription	Total
Original Cataloging	\$5,121	\$5,228	\$10,349
Record Enhancement & Holdings Deletion	3,999	3,303	7,302
Lending	2,623	587	3,210
Excess Search	664	658	1,322
Total	\$12,407	\$9,776	\$22,183
OCLC also provides library schools with \$303,000 in services at no charge.			

IV. Summary of feedback from the membership

The advisory group gathered input and feedback from member libraries in many ways, including Global Council discussions, Regional Council meetings, member focus groups, webinars and listservs, and one-on-one conversations with members.

Global Council held roundtable discussions at its April 2012 meeting, providing the advisory group with guidance and direction on how to proceed with member discussions. Given delegate feedback, advisory members held roundtable discussions with 100+ delegates at the Americas Regional Council meeting in June 2012, and a discussion with the EMEA Regional Council Executive Committee was held in March 2013.

OCLC staff conducted 15 focus groups with more than 120 librarians from 20 states and 80+ research, academic and public libraries from January through March of 2013. OCLC held a webinar in December 2012 in which 270 librarians participated. Input was also received via the OCLC-CAT listserv, the Global Council listserv and many one-on-one discussions with members.

All comments, input and suggestions were reviewed and discussed by the advisory group.

Overall, member feedback indicated that the Financial Credits Program had accomplished its goal. The activities that the program sought to encourage and incent when it was launched in 1985 have now become standard operating practice. Cataloging and ILL librarians spoke compellingly of the importance of original cataloging contribution, record enhancement and sharing for the benefit of both their libraries and the library Cooperative as a whole. The library directors and associate university librarians who participated in the focus groups indicated that sharing and contribution activities are the norm—the financial impact of credits is valued, but credits are not the basis or primary driver for sharing or contributing.

Cataloging and resource sharing librarians who participated in focus groups, webinars and online discussions also spoke of the importance of ongoing contribution, quality and the need to recognize and reward these activities. Below is a summary of the feedback received across the membership.

Summary of member feedback

Does the current Financial Credits Program influence your cataloging and resource sharing activity?

While not the primary factor in driving OCLC cataloging and resource sharing activity, credits are valuable to members.

- In general, members indicated that the current Financial Credits Program was not a significant incentive for cataloging and resource sharing activity.
- For most librarians, credits were not the primary motivation for providing original records to WorldCat—access for their users was the motivation.
- But, many librarians indicated that credits were valuable and did provide cost offset as well as important metrics of their Cooperative activity.

- A few librarians said that credits impacted their work plans and they have changed their workflows to ensure they received the most financial credits possible. They mentioned this had led to workflow inefficiencies in some instances.
- A large number indicated that their overall level of cataloging or resource credits were not material, and therefore not an incentive.
- From a resource sharing perspective, credits were seen as valuable but for many the amount received was small, not driving behavior or work plans.
- Librarians expressed a concern that the quality of WorldCat could be impacted if significant changes or elimination of the credits program were to occur. Similarly, some librarians were concerned about whether libraries would continue to lend materials without credits.
- The majority of librarians indicated that they appreciated receiving the credits.
- One librarian felt that any elimination of credits would pose a serious public relations problem for OCLC, even if there were no increase in costs to libraries.
- One librarian said that the contributions of original records from libraries not participating in the program need to be recognized.
- Some members in geographies not currently participating in the program described the program as “arcane—you are in it or not in it and no one understands why.”

Does the Financial Credits Program influence your participation in the Cooperative?

Credits are not a primary driver in determining participation in the Cooperative; commitment to sharing and advancing information is the primary driver.

- Members indicated that credits were not the chief motivator for contribution and participation in the Cooperative. They would participate without credits, but credits were seen as reinforcement for participation.
- Some members expressed concern that discontinuation of incentives would be a financial setback for some institutions and it may influence their ability to participate.
- Many members expressed the opinion that original content contribution and data quality and enrichment should be rewarded. Members do work that other members benefit from, and this should be financially rewarded.
- While credits did not influence the decision to contribute content, some members felt that credits did influence the manner in which the content is contributed.
- Members indicated that it *was not fair* that some OCLC members received credits but others were not eligible. Our “Shared Values and Membership Principles” emphasizes common good, benefiting all.
- In New Zealand, the incentive program for its country-wide union catalog was discontinued 13 years ago. Members indicated that it was in their interest to maintain holdings; it was a shared value.
- In Germany, there is a lot of cooperative work among the libraries but no incentives.
- One librarian said that credits have been part of OCLC’s practice “forever” and were embedded in librarians’ minds as a core activity.

- Some librarians were willing to pay more because they recognized the value of what other libraries were providing in contribution and record quality in the credit program.
- Some librarians shared that financial credits incited them to participate originally, but the credits were no longer a driving factor.

If the financial impact to your institution was immaterial, would you recommend discontinuing the current credits program, or considering new approaches? What might a new or modified program include?

Members are split on their attitudes about discontinuing the program; some felt it is time to discontinue the current program, while others want to see the program continue. Most felt that the current program did not significantly drive behavior and should be reviewed. Many indicated that a more flexible, more global program might be an improvement to the current program.

Members provided strong feedback that progress and any anticipated changes should be communicated openly, and it is important to give libraries sufficient time to prepare for any change.

- The financial impact to libraries was often the biggest concern cited about potentially discontinuing the program.
- Many members indicated that if there were no financial impact, they would be comfortable exploring the modification or elimination of the program.
- Many indicated that both staff and management review credit activity. They would like to see contribution statistics continue to be provided regardless of any changes, as metrics are important and useful as impact measures.
- Some members indicated that credits are a good way to recognize work that members were doing on behalf of the community.
- Some directors referenced credits as a benefit in communication to their administrations.
- Some members indicated that a new incentive program might consider looking at the universal training needs of libraries on leading-edge initiatives, such as RDA. An incentive program that provided members access to free or reduced-fee training on global issues would be worth considering.
- Many felt that a new or modified program should recognize all types of libraries.
- Many members indicated that a 'recognition program' that would recognize contribution was important. Others indicated that recognition only was not sufficient, that any incentive program should include a financial component.
- Most said that a new program should be flexible, providing an ability to incent new and different types of activity or contribution.

V. Recommendations

Recommendation 1:

The Financial Credits Program was established in 1985 to incentivize increased cataloging and resource sharing activity by North American member libraries. The program was designed to remove a financial burden, as contributing or sharing resources required additional OCLC system transactions, and therefore additional per-unit transaction costs. Much has changed over the past 28 years. OCLC has upgraded technologies and migrated from a per-unit pricing methodology to a subscription methodology, removing system constraints and excess system costs for contributing or sharing. The membership has grown well beyond North America and sharing of intellectual contribution and resource sharing is the norm for members of the OCLC Cooperative.

The Financial Credits Program is no longer in synch with the norms, collection management practices or member composition of the Cooperative. The advisory group recommends that the program be gradually phased out, beginning July 1, 2014.

OCLC management should utilize a transition approach that recognizes the ongoing importance to the Cooperative of the contribution of all types of intellectual capital and sharing of member contributions. The transition method should minimize the financial impact to members currently participating in the program.

OCLC staff should conduct webinars and provide other avenues for communicating with the membership over the next 12 months as the transition plan is developed and implemented.

Recommendations for transition:

The advisory group suggests that OCLC management phase out the current Financial Credits Program using a methodology that minimizes the financial impact on current program participants. Therefore, the advisory group suggests that OCLC management consider a transition using the following approach:

- For original cataloging, record enhancement and holdings deletion, and lending, the advisory group recommends that OCLC use a “netted into subscription” method similar to the methodology utilized when cataloging and resource sharing were migrated from a transaction pricing model to a subscription pricing model in 2006/2007.

This approach, of incorporating or “netting” financial credits into subscriptions, recognizes historical contributions of current participants while minimizing the financial impact going forward. Invoices should continue to reflect the level of contribution and resource sharing activity. For the small number of member libraries where the total value of the credits earned exceeds the total annual subscription amount, an approach should be prepared through discussions with the library.

We recommend that OCLC management begin this migration in July 2014, providing libraries with options on when to migrate, completing the transition by June 30, 2016.

- For the excess search credit, the advisory group recommends that credit be discontinued. Excess search credits are received for search volumes that exceed a specified monthly threshold as defined on the OCLC price list. Since libraries receive unlimited searching for a set fee with subscription pricing, this credit is not longer required. To provide libraries time to plan for this transition, the advisory group recommends discontinuing this credit beginning July 2014, the start of fiscal year 2015.

The charts below illustrate the potential financial distribution and investment in the credit program before and after the recommended transition.

The current program as reported in fiscal 2012 is presented alongside a pro forma view of how the financial distribution would look subsequent to the transition at the conclusion of fiscal 2016. Using fiscal 2012 dollars for comparison, the fiscal 2016 pro forma shows that, post-transition, the per-unit credit methodology has been discontinued. The per-unit credits for original cataloging, record enhancement and holdings deletion, and lending have been transitioned and incorporated or “netted into subscriptions” for program participants. The per-unit credits for excess searching have been discontinued.

The discontinuation of the program as recommended would result in a reduction in total annual investment in the Financial Credits Program from \$22.2 million to \$21.5 million. That \$21.5 million would be netted against member subscriptions going forward.

Financial Credits			
FY2012, in \$000			
Type of Credit	Per Unit	"Netted" into Subscription	Total
Original Cataloging	\$5,121	\$5,228	\$10,349
Record Enhancement & Holdings Deletion	3,999	3,303	7,302
Lending	2,623	587	3,210
Excess Search	664	658	1,322
Total	\$12,407	\$9,776	\$22,183

OCLC also provides library schools with \$303,000 in services at no charge.

Fully Transitioned Financial Credits Program			
Pro forma - FY2016, in \$000 using FY2012 dollars			
Type of Credit	Per Unit	"Netted" into Subscription	Total
Original Cataloging	\$0	\$10,349	\$10,349
Record Enhancement & Holdings Deletion	0	7,302	7,302
Lending	0	3,210	3,210
Excess Search	0	658	658
Total	\$0	\$21,519	\$21,519

OCLC also provides library schools with \$303,000 in services at no charge.

Recommendation 2:

It remains important that the Cooperative support and encourage mechanisms that promote and encourage cooperation, sharing and participation across member libraries in support of our Cooperative's mission to further access to the world's information.

The advisory group recommends that future mechanisms created to encourage stronger global cooperation exhibit the following characteristics:

- They should provide for global participation and be inclusive of the broad membership.
- They should support and incentivize behaviors that the membership aspires to become normative. Once the new behaviors become the norm, they should be celebrated, but no longer incentivized.
- They should be reviewed by the Cooperative's governance bodies—including Global and Regional Councils, the Board of Trustees and OCLC management—to ensure that they support the Cooperative's "Shared Values and Membership Principles." (Appendix D)
- They should be flexible and adaptable to evolving types of contribution and sharing in an increasingly digital world.

Appendix A

Timeline of Global Advisory Group on Credits and Incentives

- **May 2008:** The Cataloging and Metadata Service Group of the OCLC Members Council recommends that the cataloging credit structure needs to be reviewed.
- **September 2009:** Global Council Executive Committee issues a charge to convene a Task Force on Cost Sharing and Pricing Strategy to develop and evaluate cost-sharing models that advance the public purpose of OCLC, create a sustainable approach to cost-sharing for the Cooperative, and support the use of differential pricing strategies.
- **December 2009 to May 2010:** Task Force on Cost Sharing and Pricing Strategy meets.
- **April 20, 2010:** Task Force on Cost Sharing and Pricing Strategy creates a preliminary report and engages delegates in a plenary discussion led by John Helmer, Chair, during Global Council's first meeting.
- **June 1, 2010:** Task Force on Cost Sharing and Pricing Strategy issues a final report that recommends adoption of "Principles of Cost Sharing for the Cooperative," and the establishment of new Global Council Cost Sharing Models Task Force to advise OCLC management and continue to evaluate cost-share models.
- **November 2010:** Global Council appoints a Cost Sharing Models Task Force, chaired by John Helmer.
- **January to June 2011:** Cost Sharing Models Task Force meets.
- **June 3, 2011:** Cost Sharing Models Task Force issues final report with its recommendation to analyze the current system of financial credits.
- **November 2011:** Status Report on Recommendations from the Global Council Cost Sharing Models Task Force released. The Global Advisory Group on Credits and Incentives convenes and begins meeting.
- **January, April and June 2012:** Advisory Group members Jerry Stephens and Sara Campbell give updates of the work of the Global Council Advisory Group during ARC member meetings at ALA Midwinter and ALA Annual, and at the April Global Council meeting.
- **November 2012:** Advisory Group member Jerry Stephens provides an update on behalf of the Global Advisory Group on Credits and Incentives at the Global Council meeting.
- **December 2012:** The Advisory Group on Credits and Incentives hosts a webinar to provide librarians with information and background about the current Financial Credits Program, the work of the Advisory Group, and to gather feedback and input. The recording of the December 17 webinar on the cataloging credit program is [available](#) on the OCLC WebEx Meetings website.
- **January 2013:** Barbara Preece, ARC Executive Committee Chair, provides an update on the work of the Advisory Group at the January 2013 ARC meeting. A detailed FAQ is distributed to ARC meeting attendees and also published on the [OCLC website](#).
- **January to March 2013:** OCLC holds 15 focus groups with more than 120 librarians from 20 states and 80+ research, academic and public libraries.
- **March 2013:** Discussion and feedback from the EMEA Regional Council Executive Committee.
- **April 2013:** Final report discussed at Global Council meeting.

Appendix B

Example of “Per-unit” and “Netted into Subscription” Credit Methods

For phasing out the current Financial Credits Program, the advisory group recommends that OCLC incorporate, “net”, a library’s historical per-unit credit activity level and against the library’s ongoing annual subscription fee. Such a method would continue to recognize and provide financial rewards for the ongoing contributions and resource sharing of members of the program going forward. The advisory group recommends that OCLC utilize an approach similar to the method used when cataloging and resource sharing were migrated from a transaction pricing method to a subscription pricing method in 2006/2007. Some members elected to use the “netted into subscription” approach for receiving credits in 2006/2007; many members elected to continue to utilize the per-unit approach.

An example of how credits are included on a member invoice under the per-unit credit method and how credits are included on the invoice under the “netted into subscription” pricing method are presented for illustration below. In this example, the member has elected to be billed monthly. A three-month period is used to illustrate how credits earned under the “per-unit” credit method fluctuate with activity. Under the “netted into subscription” method, the credits earned do not fluctuate with activity.

"Per Unit" Credit Method		Month A	Month B	Month C
		April	May	June
Monthly Cataloging Subscription		\$ 100	\$ 100	\$ 100
Monthly ILL Subscription		30	30	30
ILL Lending Credit		\$ (3)	\$ (2)	\$ (3)
Cataloging Original Input Credit		(10)	(8)	(11)
Cataloging Enhancement Credit		(2)	(4)	(3)
Cataloging Delete Holding Credit		(2)	(1)	(1)
Total Amount Due		\$ 113	\$ 115	\$ 112
"Netted into Subscription" Credit Method				
	Credit Rate*	Month A	Month B	Month C
		April	May	June
Monthly Cataloging Subscription		\$ 100	\$ 100	\$ 100
Monthly ILL Subscription		30	30	30
Member Participation Credits - Cataloging	\$ (14)	\$ (14)	\$ (14)	\$ (14)
Member Participation Credits - ILL	(3)	(3)	(3)	(3)
Total Amount Due		\$ 113	\$ 113	\$ 113
* A fixed credit amount is determined based on prior activity levels. The participation credit amount remains constant, it does not fluctuate based on unit activity levels.				

Appendix C

Example of Member Invoice Before and After Transition

For phasing out the current Financial Credits Program, the advisory group recommends that OCLC incorporate (“net”) a library’s historical per-unit credit activity level and apply that credit amount at a constant level against the library’s ongoing annual subscription fee. A description and example of this method is provided in Appendix B.

To further illustrate how this method would be reflected on member invoices at the end of the transition period in 2016, two sample member invoices are presented below—a sample for members currently utilizing the “per unit” credit method and a sample invoice for members currently using the “netted into subscription” method. A flat subscription amount is used for both the sample June 2013 (current) and July 2016 (post-transition) invoices to more effectively illustrate the change in credit treatment, holding subscription levels constant.

For members currently using the “per unit” method, the annual cataloging and annual resource sharing subscriptions amounts would be lowered by “netting” in a fixed credit amount. Post-transition, that credit amount is held constant moving forward. The amount of the credit that will be netted would be determined based on some historic level of the libraries’ credit activity, such as a library’s past two-year or three-year average, for example.

For members currently utilizing the “netted into subscription” method, no change would occur. The amount of the credit could be netted into the subscription rate as illustrated below, at the current credit rate level.

Example of Member Invoice Before and After Transition					
Subscription levels are held flat at FY2012 level for illustration only					
Sample Invoice - for a member transitioning from the "Per Unit" Credit Method			Sample Invoice - for a member transitioning from the "Netted into Subscription" Credit Method		
	Invoice before transition June 2013	Invoice after transition July 2016		Invoice before transition June 2013	Invoice after transition July 2016
Monthly Cataloging Subscription	\$ 100	\$ 85	Monthly Cataloging Subscription	\$ 100	\$ 86
Monthly ILL Subscription	30	27	Monthly ILL Subscription	30	27
Cataloging Original Input Credit	\$ (11)		*Participation Credits - Cataloging	\$ (14)	
Cataloging Enhancement Credit	(3)				
Cataloging Delete Holding Credit	(1)				
ILL Lending Credit	(3)		* Participation Credits - ILL	(3)	
Total Amount Due	\$ 112	\$ 112	Total Amount Due	\$ 113	\$ 113
* A fixed credit amount is determined based on prior activity levels.					
The participation credit amount remains constant, it does not fluctuate based on unit activity levels.					



Shared Values and Membership Principles of the OCLC Cooperative

21 June 2010 as Revised and Unanimously Approved by the Global Council

OCLC is a global Cooperative organization built by member libraries, archives, and museums that work together and are committed to each other, and to the OCLC organization to share resources, expertise, and costs. The Cooperative is founded on the shared commitment of members and OCLC staff to the following values:

Cooperative Engagement—We believe that every individual in the OCLC Cooperative has knowledge and competencies to share with and contribute to the Cooperative in support of its public purpose and mission.

Economy of Scale—We believe that together we can optimize services to our users through sharing costs and by reducing the rate-of-rise of library per-unit costs.

Excellence—We support member needs for high quality information services.

Inclusivity—We understand the importance of a global Cooperative that has members from all parts of the world and includes institutions of different sizes and types.

Innovation and Research—We believe in research-supported innovation that creates improvements in information services.

Open Communication—We believe in communicating openly, honestly and accurately with one another.

Respect—We honor the rights, beliefs and cultures of every member and every individual and treat one another with the highest degree of respect and dignity.

Sharing—We believe that all libraries, archives, and museums have resources that are valuable for our users and we agree to share as freely as possible these resources with one another.

Sustainability—We are committed to maintaining and enhancing the Cooperative for our users.

Trust—We commit to supporting adherence to the policies and practices of the Cooperative.

To support these Shared Values, the members and staff of OCLC make a commitment to follow these principles:

- Work together to achieve mutually beneficial goals and to optimize efficiencies.
- Share collections, metadata, best practices and expertise.
- Communicate honestly and openly with one another, candidly sharing opinions and respecting partners' points of view, ideas and culture.
- Promote internationally accepted standards and follow recognized guidelines to facilitate resource sharing and information exchange.
- Provide feedback to OCLC on products and services to improve their quality, reliability, usability and cost-benefit.
- Enhance access to information resources, and to organize, preserve and archive these resources for future generations.
- Participate in OCLC governance through Regional Councils, Global Council and the Board of Trustees.
- Promote the use of OCLC records by following the “WorldCat Rights and Responsibilities for the OCLC Cooperative” and the “WorldCat Principles of Cooperation.”