What’s It Worth to You?
How to Do a Return on Investment Study for Your Public Library

Presented by
Keith Curry Lance

research group

Nebraska Library Commission
Outline

• Contingent Valuation Model
• Market Valuation Model
• Nuts-and Bolts of Conducting a Study

  – Alternating between presentation/general discussion & library team discussions/reports

  – Note about PowerPoint philosophy
# Per-Dollar Ratios for Existing ROI Studies

<table>
<thead>
<tr>
<th>State</th>
<th>Scope</th>
<th>ROI</th>
<th>State</th>
<th>Scope</th>
<th>ROI</th>
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<tbody>
<tr>
<td>VT</td>
<td>State</td>
<td>$6.96</td>
<td>WI</td>
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<td>SC</td>
<td>State</td>
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<td>IN</td>
<td>State</td>
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</table>
ROI Approaches

- Contingent Valuation
- Market Valuation
- Time Valuation
Contingent Valuation Studies

• Florida
• Pennsylvania
• Colorado
Taxpayer ROI in FL Public Libraries

• Overall, $6.54 to $1

• Time savings to users
  – 57.6 million hours, or $2.4 billion

• $2.1 billion to education (use by students & teachers)
  – Preschool to higher education (incl. home schooling)

• For every $6,488 in taxpayer support:
  – 1 job created

• For every $1 of taxpayer support:
  – + $9.08 Gross Regional Product
  – + $12.66 income (wages)
Taxpayer ROI in FL Public Libraries

• Multiple methods
  – Surveys of library visitors (N = 1,500+ in 17 libraries)
  – Household telephone poll (~900)
  – Survey of organization libraries (138 school, academic & special)
  – Follow-up library survey

• Survey details
  – Education, work uses

• Multiple ROI dimensions
  – Contingent valuation
  – Other econometric models

• Universe: all state residents
### What’s It Worth to You?

ROI Study of Selected CO PLs

<table>
<thead>
<tr>
<th>Library District</th>
<th>ROI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eagle Valley Library District</td>
<td>$4.28</td>
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<tr>
<td>Mesa County Public Library District</td>
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<td>Rangeview Library District</td>
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<td>Denver Public Library</td>
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<td>Douglas County Libraries</td>
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<td>Montrose Library District</td>
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<td>Fort Morgan Public Library</td>
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<td>Cortez Public Library</td>
<td>$31.07</td>
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</table>
What's It Worth to You?
ROI Study of Selected CO PLs

- Median: $4.99 to $1
- Surveys of ~5,000 library visitors, plus available data from libraries (staff, local spending)
- Universe: library visitors (excluded remote-only users)
- Simplified questionnaire
  - Fewer detailed questions
  - More ranges, fewer precise figures
- Excluded time savings factor
Contingent Valuation Components

• Cost to Use Alternatives
• Lost Use
• Time Savings
• Halo Spending
Cost to Use Alternatives/
Value of Lost Use

• If the library did not exist, what would you have done to address the reason for your visit?
  – I would have tried to get the information from another source
    • How much would you have spent?
      – I would not have tried to get the information
      – I would not have known where else to get the information
Alternative Sources of Info

• Bookstore, video store
• Internet
  – Home, work, school
  – Fee-based public (airport, hotel, café)
  – Free public
• Estimated spending on alternative
  – $0, < $5, $5-9, $10-14, $15-19, $20-24, $25+
Calculating Cost to Use Alternatives

• Total visits: 35,000
• X percent of surveyed visits with alternative use: 95%
• X average cost to use alternatives: $25.00
• Total value: $831,250
Alternative Cost Question

• What are the alternatives in your community?
  – Which alternatives are not available?

• Will you ask for a specific cost estimate or give ranges with which to respond?

  – If ranges, what ranges make sense for the cost to use alternatives in your community?

• Remember, the ranges you offer—especially the upper limit—are key
Calculating Value of Lost Use

- Total visits: 35,000
- X percent of surveyed visits with lost use: 5%
- X average value of lost information: $25
- Total value: $43,750
Lost Use Question

• Will you include the lost use factor in your survey?
  – Why
  – Or why not?
Time Savings

• How much time did you spend using the library?

• How much time would it have taken you to use the alternative to the library you identified?
  – < 15, 15-29, 30-44, 45-59, 60+ minutes
Calculate Time Savings

- Total visits: 35,000
- Time savings = time to use alternative minus time spent using library: 30 minutes
- Time savings X total visits = 17,500 hours
- 17,500 hours X $17 =
- $297,500
Time Savings Question

• Will you include the time savings factor in your study?
  – Why
  – Or why not?

• If yes, what dollar multiplier for time makes the most sense?
  – General estimate based on Census or state figures?
  – Respondents’ reported income levels?
Halo Spending

• Transportation
  – Drove (mileage, fuel)
  – Public transit (bus, shuttle, senior van)
  – Taxi

• Transit costs
  – Parking
  – Fare
  – Toll

• Other activities
  – Restaurant, coffee shop
  – Shopping
  – Medical appointment
  – Post office
  – Bank

• Estimated Spending
  $0, < $5, $5-9, $10-14, $15-19, $20-24, $25+
Calculating Value of Halo Spending

• Total visits: 35,000
• X percent of surveyed visits with halo spending: 33%
• X percent of halo spending lost without library: 23% (based on a study)
• X average value of halo spending: $25
• Total value: $66,412
Halo Spending Questions

- Will you include the halo spending factor in your study?
  - Why?
  - Or why not?

- Do you accept the 23% figure as reasonable, or will you modify it?
  - Why or why not?
  - Up or down?
Local Library Expenditures

- Human resources (beyond salaries & benefits)
- Library collection
- Information technology
- Utilities
- Supplies & equipt
- Facilities mgmt

- Track spending on local vendors and contractors in these areas for 1 year
Local Expenditures Questions

• What is the relevant geography for your community?
  – Local, county, state, region?

• Which of these data are readily available for your library?

• Which ones will require special effort?

• Who has the data, or will have to gather it?
Staff Expenditures

- Salaries
- Wages
- Employee Benefits

- Holds if most staff live in library’s community
- If not, option is to sum expenditures for those who do
The Bottom Line

- Cost to use alternatives: $831.2K
- Value of lost use: $43.8K
- Time savings: $297.5K
- Halo spending: $66.4K
- Local library expenditures: $32.0K
- Staff compensation: $98.0K
- TOTAL return: $1,368.9K
- Divided by local revenue: $150.0K
- ROI: $9.13 per $1
Market Valuation Studies

- South Carolina
- Vermont
- Wisconsin
- Suffolk County, New York
- Southwestern Ohio
- Indiana

- Basic ideas
  - Identify services
  - Gather data on them
  - Determine dollar multipliers for each

- Major differences
  - Dollar multipliers & rationales for them
  - Services included
Economic Impact of Public Libraries in SC

• Overall, $4.48 to $1
  – $2.86 direct (value of library service output)
  – $1.62 indirect (library spending)

• Multiple surveys:
  – General (N=3,689)
  – Business (161)
  – Personal investment (172)
  – Job-seeking (298)
Economic Impact of Public Libraries in SC

- 92% -- Quality of life
- 73% -- Personal fulfillment
- 73% -- Love of reading
- 64% -- Personal enjoyment
- 47% -- Local property values
- 44% -- Patronage to local businesses
- 38% -- New businesses to the community
- 37% -- More productive on job
- 32% -- Manage finances or save money
- 25% -- Job search or business opportunity
- 15% -- Improve or start own business
- 11% -- Obtain new job
Economic Impact of Public Libraries in SC

- More outcome-oriented
- Surveyed library visitors & online users
- Used total library spending less 75% of collection spending
- Non-tax funds: grants, gifts, endowments
- Book circulation x half of average book price
- Periodical holdings x average price ($200)

- Non-print circulation x $\frac{1}{4}$ of average price of DVD, VHS, CD, cassette
- Reference questions x half of median hourly wage for community
- In-library use of materials x half of median hourly wage for community
- Value of facilities & equipment use (10% of total operating $)
Economic Contribution of WI Public Libraries

• $4.06 to $1
• Output-based market valuation
  – Library service outputs x value multipliers
• Econometric estimates of impact on larger economy
• SWOT analysis

• Cost savings from library use
  – Part of user survey, along with outcomes
Economic Contribution of WI Public Libraries

• In-state library spending
• Visitor (halo) spending
• Job creation (but not output or income)

– Economic multipliers available from econometric modeling firm in state
Economic Contribution of WI Public Libraries

- Loans of materials
  - Print circulation x 20% of retail book prices (children, adult)
  - Non-print circulation x used DVD, CD prices from Amazon, etc

- Reference services
  - Questions x 15 minutes (based on $23, avg hrly wage of librarians)

- Computer use
  - 2/3 of computer hours x $4 ($3.50 operating, $0.50 hardware)

- Programs
  - Attendance x $4 for children, $6 for adults (YMCA, parks & rec, etc)
Economic Contribution of WI Public Libraries

- Survey of 2,500+ users
- Types & frequency of use, outcomes
- Average monthly savings from library use vs. …
  - Buying books and periodicals
  - Renting DVDs and videos
  - Buying DVDs and videos
  - Attending events elsewhere
Economic Contribution of WI Public Libraries

• SWOT analysis by focus groups
  – 29 sessions, 200 participants

• Strengths
  – Resources, services, mission, technology, gathering place, staff

• Weaknesses
  – Funding (for everything), space

• Opportunities
  – Updating resources and technology, outreach and marketing

• Threats
  – Explosive growth of info, perception of Internet as alternative
Placing an Economic Value …
Suffolk Co, NY

• Output-based market valuation
  – Library service outputs x value multipliers

• Secondary economic impact
  – Library operating & capital spending
  – Multipliers for output, earnings, employment
  – Industry-specific multipliers
    • Find out if your city, county, or region provides
Placing an Economic Value ...

Suffolk Co, NY

- Library collections: $132 million
  - Holdings by format x average retail price, according to Bowker, etc
- Library services: $449 million
  - Circulation by format x average retail price (high: $63 for adult non-fiction)
  - Reference questions x $29 (Google Answers)
- ILLs received x $27 (average ILL cost, ARL)
- Programs: $8 million
  - Children, YA, adult, other attendance x $9 (St Louis study figure adjusted for inflation)
- E-resources: $60 million
  - E-usage x annual AOL cost ($288), Google answers ($29, cost per chat, e-mail session)
Placing an Economic Value …
Suffolk Co, NY

• For each $1 of library spending:
  – Economic output increases $1.83
  – Earnings increase $0.34

• For every $1 million of library spending:
  – 8.4 other jobs are generated
Economic Benefits of PLs: Value for Money (SW OH)

- $3.81 to $1
- Market valuation
- Value of book, music circulation
  - Circulation x (acquisition value [i.e., library discount] - resale value [usually 50%]) = $7.42 for books (children’s = $4.14), $3.00 for music

  - DVD/VHS circulation x $X (average rental fee in area) = $1 based on McDonald’s DVD vending machines

- Value of periodical circulation
  - Circulation x $5 (lost periodical fee)
Economic Benefits of PLs: Value for Money (SW OH)

• Value of reference books, periodicals
  – Same as for circulating

• Value of reference services
  – Questions x ($5--$50/hour /10, based on typical private info service rates)
Economic Benefits of PLs: Value for Money (SW OH)

• “Positive externalities” (outcomes)
  – Reading: encouraging, training trainers
  – General support of education
  – Support for business and job-seekers
  – Support for the elderly, blind & disabled
  – Cultural programs (writers, artists, musicians)
  – Craft programs
  – Patriotic, historical & genealogical programs
  – Cultural understanding & tolerance
  – Cooperation with community organizations
Economic Benefits of PLs: Value for Money (SW OH)

- Uses of library meeting rooms ($50 / use)
  - Education
  - Business
  - Government
  - Health & social services
  - Community & political organizations
  - Cultural & recreational groups
Economic Impact of Libraries in IN

• $2.38 to $1 (market value only)
• Public & academic libraries
• Economic benefits
  – Effects of library spending on local economies
  – Market value of services
• Surveys of library staff, patrons & local leaders
  – Capacity
  – Customer satisfaction
  – Outcomes
  – Needs assessment
  – 12 business case studies
Economic Impact of Libraries in IN

• Market value of library services
  – Adult circulation: $479M
  – Children’s circulation: $ 68M
  – Reference questions: $ 54M
  – Meeting rooms: $ 8M
  – Computer use: $ 7M
  – Children’s program attendance: $ 6M
  – Adult program attendance: $ 5M
  – Magazines & newspapers: $ 2M
Economic Impact of Libraries in IN

- 6,898 jobs in IN public libraries
- $263M spent on payroll, goods & services

Input-output analysis
- Impacts by industry & by county
- +$216M in economic activity
- +2,000 jobs

* Based on % of holdings  ** proxy
# Economic Impact of Libraries in IN

<table>
<thead>
<tr>
<th>Service</th>
<th>Output</th>
<th>Value</th>
<th>Source</th>
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<tbody>
<tr>
<td>Children’s books</td>
<td>C’s circulation</td>
<td>$4.14</td>
<td>20%, average hardcover</td>
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<tr>
<td>YA/adult books</td>
<td>Gen’l circulation*</td>
<td>$7.42</td>
<td>20%, average hardcover</td>
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<tr>
<td>Videos/films</td>
<td>Gen’l circulation*</td>
<td>$1.00</td>
<td>Avg, used</td>
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<tr>
<td>Audio/music</td>
<td>Gen’l circulation*</td>
<td>$3.00</td>
<td>Avg, used</td>
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<td>E-books</td>
<td>Gen’l circulation*</td>
<td>$7.42</td>
<td>Cost per D/L</td>
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<tr>
<td>Periodicals</td>
<td>Computer users**</td>
<td>$0.25</td>
<td>“non-zero” vs Web</td>
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* Based on % of holdings  ** proxy
## Economic Impact of Libraries in IN

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</tr>
</thead>
<tbody>
<tr>
<td>Computers</td>
<td>Computer users</td>
<td>$0.50/ hr</td>
<td>H/W, S/W, connection; 3 years/work hrs</td>
</tr>
<tr>
<td></td>
<td>(avg, 2 hrs per user)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reference</td>
<td>Questions</td>
<td>$10.00</td>
<td>$100/hour</td>
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<td>Adult programs</td>
<td>Non-C program attendance</td>
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<td>Avg, CBO, parks &amp; rec</td>
</tr>
<tr>
<td>Children’s programs</td>
<td>C program attendance</td>
<td>$4.00</td>
<td>Avg, CBO, parks &amp; rec</td>
</tr>
<tr>
<td>Meeting space</td>
<td>Non-library events</td>
<td>$75.00</td>
<td>Avg, ½ day</td>
</tr>
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</table>
Market Valuation Questions

• Which services will you include? (Which ones do you have data for?)

• What multiplier will you use for each of those services? (Or, at least, how will you determine that multiplier?)
Time Valuation

- Carnegie Library of Pittsburgh
Carnegie Library of Pittsburgh: Community Impacts & Benefits

• $3.81 to $1
• Neither market nor contingent valuation
• Value of time (i.e., users’ time)
  – How much time do you typically spend at the library when you visit?
    – < 1 hour, 1-2, 3-4, 4-6, 6-8, 8+ hours
      – Hours x median personal income per hour
• Operations
• Customer (halo) spending
ROI Study “Extras”

- Econometric estimates
  - Output, earnings, employment

- SWOT analysis
  - User-identified strengths, weaknesses, opportunities & threats

- Needs assessment
  - Learn about users’ needs

- Customer satisfaction
  - Find out how users feel about library performance

- Outcome measurement
  - Data about how services make a difference
ROI Study “Extras” Question

• Does your ROI patron survey need to include a component for
  – Needs assessment?
  – Customer satisfaction?
  – Outcome measurement?

• Does a SWOT analysis involving various groups make sense?

• Do you want to add an economic impact analysis (re output, income, employment impact)?

• What are the operational &/or political reasons for including?
Economic Impact Multipliers

- Regional Economic Models, Inc. (REMI)
  - [http://www.REMI.com](http://www.REMI.com)

- Regional Input-Output Modeling System (RIMS II), Bureau of Economic Analysis (BEA), US Department of Commerce

- IMPLAN, Minnesota Implan Group (MIG)
  - [http://www.IMPLAN.com](http://www.IMPLAN.com)

- All 3 project impacts on output, income & employment
- All 3 require services of economist (even to explore potential use & cost)
Survey Design

• Components
  – Contingent valuation items
  – Other items, if desired

• Use previous study questionnaires as models
  – … but know why you are choosing to include each item
  – Exactly what will you do with answers?
Survey Design Questions

• Who will participate in designing the questionnaire?
  – Staff, trustees, other decision-makers, public

• Who will pre-test and revise it?
Sampling Patrons for ROI Survey

- Use online sample size calculator to determine ideal sample target
  - [http://www.surveysystem.com/sscalc.htm](http://www.surveysystem.com/sscalc.htm)
- Multiply by 3 for number of questionnaires to distribute
- Determine sampling interval (every Nth person to receive questionnaire)
  - Divide monthly or weekly visitors by number of questionnaires to distribute
- If necessary, use random date generator to choose distribution dates
Sampling Question

- Who will your study sample, and why?
  - All users
  - Library visitors
  - Age limit
  - Users of specific services, or for specific purposes
Administering ROI Survey

- Publicize study well in advance
- Provide online and print versions of questionnaire
- Recruit and train staff or volunteers to distribute questionnaires
- Distribute questionnaires
- Provide incentives for participation
- Provide secure, well-labeled box for return of paper questionnaires, or get postal permit
- Check response rate frequently during administration period
- Revise sampling interval, if needed
ROI Survey Administration Questions

• How will you publicize your ROI study?
• What incentives will you provide for participation by your library’s users?
• Who will distribute questionnaires?
• Who will receive and store returns?
Entering & Analyzing ROI Data

• Use online survey for computer-assisted data entry of paper returns

• Calculate (as appropriate)
  – Cost to Use Alternatives
  – Value of Lost Use
  – Time Savings
  – Halo Spending
Analysis Questions

• What specific issues does your ROI study need to address?
  – Education
  – Economic development
  – Other

• What patron demographics do you need?
  – Gender, age, race/ethnicity, family status, school status, educational attainment, income, other

• Who will enter data? Who will analyze it?
Using ROI Data

• Reporting formats
  – Report, flyer, brochure, poster, web page

• Reporting venues
  – Board meeting, government hearing, press conference, newspaper article, radio spot, TV spot, speeches, outreach activities

• Role of calculators
  – Library and/or user perspectives
Reporting Results Questions

• Which report formats work best generally with your decision-makers and public?

• Which reporting venues are most likely to be available for sharing your study’s results?

• Which report formats will be best for those venues?

• Who will be prepared to make presentations about results?
ROI Calculators

- ME: Library Use Value Calculator
- IN: Library Value Calculator
- CO: Library ROI Calculator
- CO: Personal ROI Calculator
ME Library Use Value Calculator

- Available online
- Also downloadable as spreadsheet, permitting customization
- Based on an earlier MA calculator
## ME Library Use Value Calculator

<table>
<thead>
<tr>
<th>Item</th>
<th>Value</th>
<th>Explanation</th>
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</thead>
<tbody>
<tr>
<td>Book borrowed</td>
<td>$27</td>
<td>Avg cost hardcover</td>
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<tr>
<td>Paperback borrowed</td>
<td>$7</td>
<td>Avg cost paperback</td>
</tr>
<tr>
<td>Children book borrowed</td>
<td>$20</td>
<td>Avg cost hardcover</td>
</tr>
<tr>
<td>Magazine borrowed</td>
<td>$3.50</td>
<td>Avg newsstand cost</td>
</tr>
<tr>
<td>Video borrowed</td>
<td>$22</td>
<td>Avg video cost</td>
</tr>
<tr>
<td>Audio book borrowed</td>
<td>$41</td>
<td>Avg audio book cost</td>
</tr>
<tr>
<td>In-library periodical use</td>
<td>$10</td>
<td>Avg monthly cost</td>
</tr>
<tr>
<td>Interlibrary loan</td>
<td>$30</td>
<td>Avg national cost</td>
</tr>
</tbody>
</table>
## ME Library Use Value Calculator

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<thead>
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<th>Value</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meeting room use/hr</td>
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<td>Estimate</td>
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<tr>
<td>Auditorium use/hr</td>
<td>$250</td>
<td>Estimate</td>
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<tr>
<td>Program/class, adult</td>
<td>$10</td>
<td>Estimate</td>
</tr>
<tr>
<td>Program/class, child</td>
<td>$6</td>
<td>Estimate</td>
</tr>
<tr>
<td>Computer use/hr</td>
<td>$12</td>
<td>Copy center hourly rate</td>
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<tr>
<td>ME online articles</td>
<td>$1</td>
<td>Avg cost / article</td>
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<tr>
<td>Databases (months)</td>
<td>$20</td>
<td>Min. cost for database</td>
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<tr>
<td>Reference questions</td>
<td>$15</td>
<td>Est. cost / question</td>
</tr>
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</table>
IN Library Value Calculator

• Downloadable Excel spreadsheet, permitting customization
• Based on similar earlier calculators
## IN Library Value Calculator

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<th>Service</th>
<th>Value</th>
</tr>
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<tbody>
<tr>
<td>Adult books</td>
<td>$7.42</td>
<td>Periodicals read</td>
<td>$0.25</td>
</tr>
<tr>
<td>Children’s books</td>
<td>$4.14</td>
<td>Mtg rm use (fee)</td>
<td>Enter</td>
</tr>
<tr>
<td>Video</td>
<td>$1.00</td>
<td>Mtg rm use (free)</td>
<td>$250.00</td>
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<tr>
<td>Audio</td>
<td>$3.00</td>
<td>Auditorium use</td>
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<tr>
<td>Periodicals</td>
<td>$0.50</td>
<td>Reference mat’ls</td>
<td>$0.50</td>
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<td>Downloads</td>
<td>$3.00</td>
<td>Home-school mat’l</td>
<td>$4.14</td>
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<tr>
<td>Computer use (hrs)</td>
<td>$0.50</td>
<td>Adult program</td>
<td>$5.00</td>
</tr>
<tr>
<td>Reference requests</td>
<td>$10.00</td>
<td>Child’n’s program</td>
<td>$4.00</td>
</tr>
</tbody>
</table>
CO Library ROI Calculator

• Customized to CO libraries
• Identify your library & its closest peer among 8 ROI study libraries
  – Region of state, metro status, population, N of outlets, collection size by format, N of computers
• Enter:
  – Annual visits
  – Total operating expenditures
  – Annual staff expenditures (salaries & benefits)
  – Annual local income
• Peer data applied to visits
• Other data for your library
CO Personal ROI Calculator

• Choose your library
• Enter your monthly use:
  – Book borrowed
  – Magazines
  – Videos
  – Audio books
  – In-library magazine use
  – Interlibrary loans
  – Meeting rooms
  – Program/class attended (adult, child)
• Computer use
  – Databases used
  – Reference questions asked
• Multipliers taken from ME calculator
• ROI calculation based on your library’s local revenue
• Individual results being captured for analysis
Calculator Questions

- Will you provide a user calculator based on your study’s results?
- Will you provide a library calculator for other libraries like yours?

- If yes to either, who will participate in developing calculator(s)?
- If yes to either, who will you promote your calculator(s) and how?
Conducting Your ROI Study

- Consulting with NLC & KCL
- Choosing method
  - Contingent valuation
  - Market valuation
- Designing & administering patron survey questionnaire
- Compiling available data from library
- Analyzing & reporting results
The Big Questions

• Will your library conduct an ROI study?
• If so, which type—contingent or market valuation?
• If so, who is the contact person for your library?
• If you aren’t ready to decide now, what else (if anything) do you need to know, and who will make the decision?
• Who should be contacted and when to learn the decision?
Available Support

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