ROI and Library Governance

Which is the key indicator : satisfaction, value or loyalty?

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Return on Investment (ROI)

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Return On Investment - ROI

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Definition of 'Return On Investment - ROI'

A performance measure used to evaluate the efficiency of an investment or to compare the efficiency of a number of different investments. To ROI, the benefit (return) of an investment is divided by the cost of investment; the result is expressed as a percentage or a ratio.

The return on investment formula:

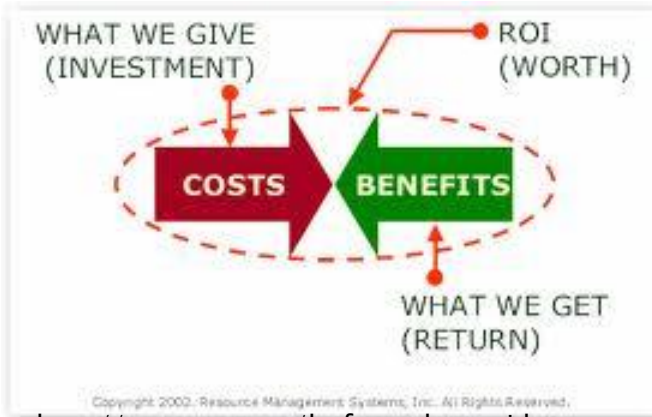$$ROI = \frac{(Gain\ from\ Investment - Cost\ of\ Investment)}{Cost\ of\ Investment}$$

In the above formula "gains from investment", refers to the proceeds obtained from selling the investment of interest. Return investment is a very popular metric because of its versatility and si That is, if an investment does not have a positive ROI, or if there a opportunities with a higher ROI, then the investment should be not undertaken

> A performance measure used to evaluate the efficiency of an investment or to compare the efficiency of a number of different investments.

> To calculate ROI, the benefit (return) of an investment is divided by the cost of the investment; the result is expressed as a percentage or a ratio.

Return on Investment (ROI)

WHAT WE GIVE (INVESTMENT)

ROI (WORTH)

COSTS ← → BENEFITS

WHAT WE GET (RETURN)

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http://www.rms.net/lc_faq_other_roi.htm

Social ROI™

- Reputation
- Risk Reduction
- Client Retention
- Efficiency
- Business Intelligence
- Differentiation
- Brand Association
- PR & Exposure
- Immediate Revenue
- Long-Term Revenue
- Supplier Capacity Building
- Perception Shifting
- Environmental Impact

- Innovation
- Client Education
- Sales Staff Capacity Building
- Support Staff Capacity Building
- Network Growth
- Political Influence
- Opportunity Creation
- Job Satisfaction
- Family Satisfaction
- Trust Building
- Economic Development
- Community Capacity Building

▸ The calculation for return on investment and, therefore the definition, can be modified to suit the situation –it all depends on what you include as returns and costs.

▸ there is no one "right" calculation.

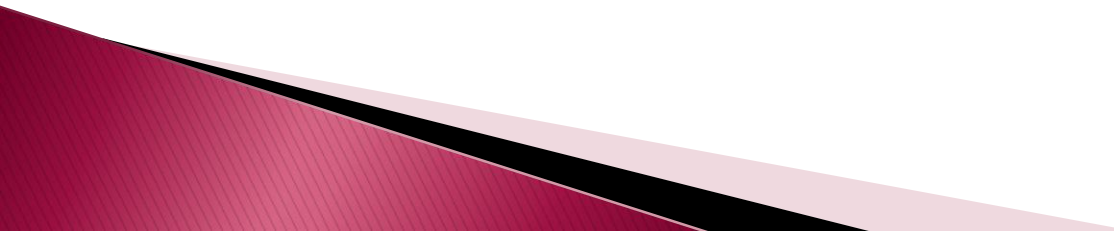**It's about how to gauge 'effectiveness'**

What about libraries?

A Library cannot be all things to all people

- What do you want to value?

- Who is to decide?
  - The library manager or the target market?

http://www.fanpop.com/spots/fanpop/images/583858/title/fanpop-all-around-world-wallpaper

What is our key business?

- Information service
- How do we measure ROI for information services?
  ◦ Numbers and percentages?
- Evidence of use
  ◦ Value perception?
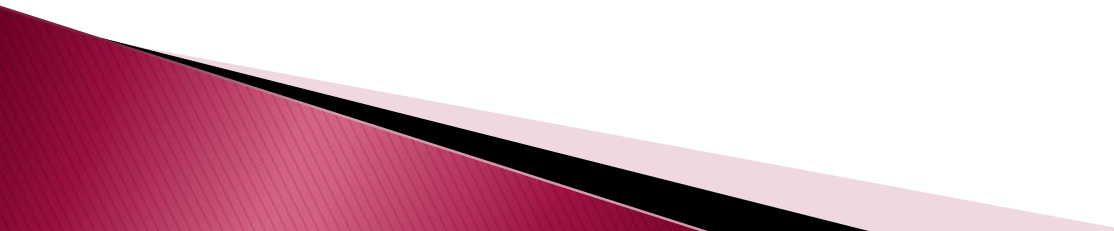 ◦ Satisfied customers?
  ◦ Loyal customers?

Information services value

▸ Information services are considered valuable when they are perceived to be equivalent to the funds spent on them. (www.ChrisOlson.com)

VALUE

▸ ~ statistics and dollars measured against budget

▸ ~ perception? something intangible

Information services value

- how we can measure, describe, and articulate the value of libraries
- Value is an intangible construct, which can hold different meaning to different people
- Decision makers would like to set the criteria in terms of 'value for money'; while library users may be more concerned about perceived value depending on what they hold as 'worthwhile'

Worth of perception of value in information service consumption

want a service

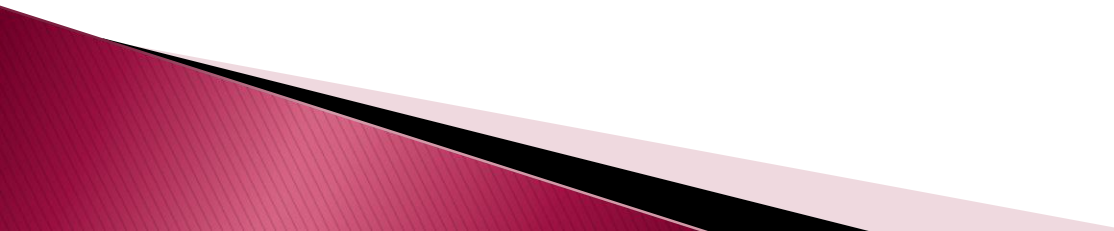**form an opinion of the value of the service**

experience the service and make judgement

feeling of satisfaction with the service

Loyalty towards the service/provider

This is the basis of the concept of services marketing.

Connecting the Dots Between Service Quality, Value and Customer Satisfaction

- Increased familiarity with the Internet, has resulted in causing a phenomenon that libraries are facing competition from alternative information providers
- It was also highlighted that "libraries are beginning to recognize that customers have choices for their information needs and some of these choices are drawing customers way from the library, and perhaps for good
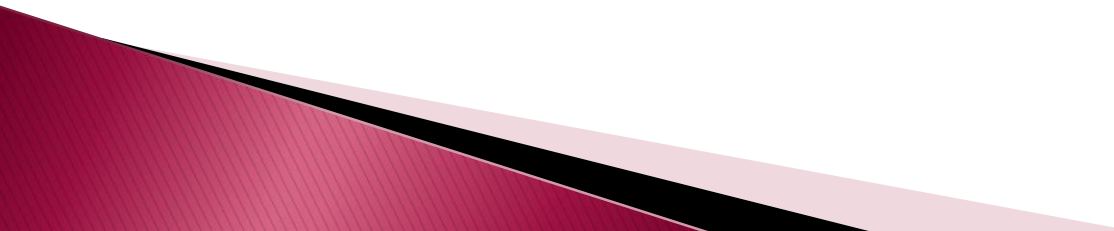
Competition

- A distinctive view presented by Kerr's (2010) comment on public libraries, that

"*competition is everywhere in Western society, and it has arrived at the door of the world's public libraries*"

Kerr recognized that the most efficient way to increase use was to get former users to return.

This brings us to the issue of retaining and bringing back customers as it has been proven to be the most important factor in business for profitability and growth.
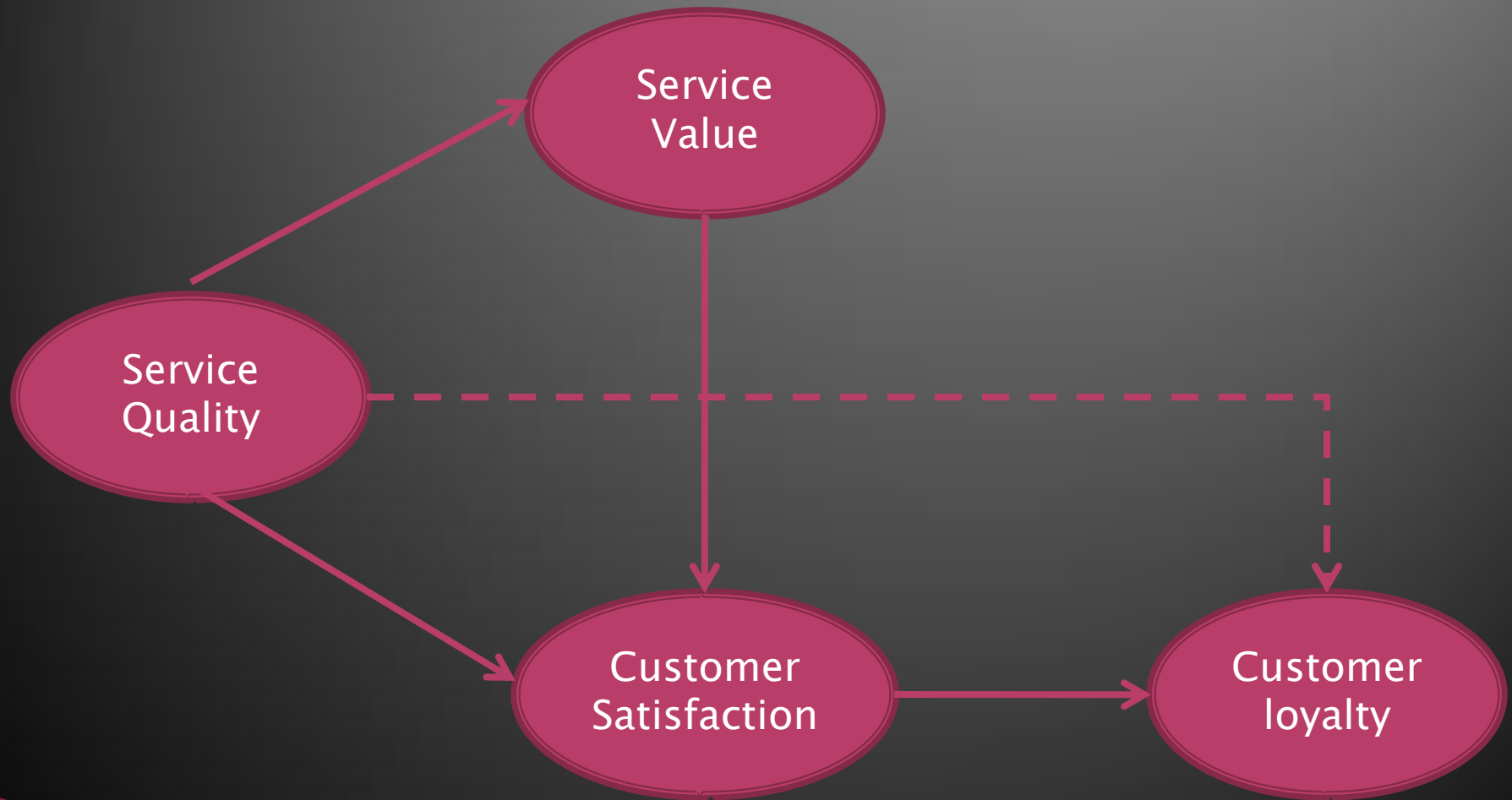
Customer Loyalty

- Library customers need to be brought back to the library whether physically or remotely. They need to believe that the library is the best choice for their information needs.
- Customer loyalty is not customer satisfaction.
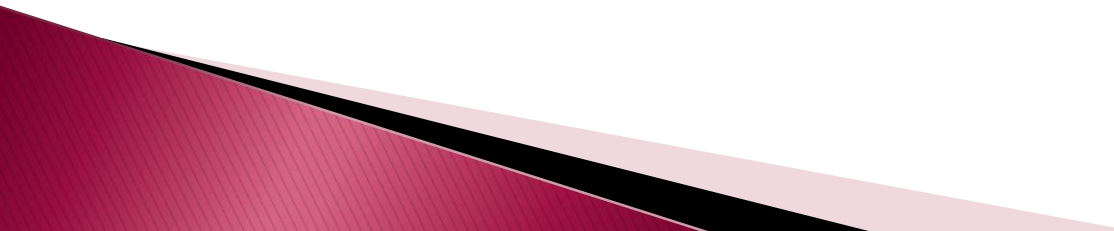- Any determination of loyalty must address the customer's purpose for library use.

The Link between Quality, Satisfaction, Value and Loyalty.

▸ In the business enterprise, research has shown that customers' behavioural intentions, including repeat use and loyalty, are consequences of service quality and customer satisfaction.

➢ Customer retention is sometimes used as a key performance indicator in industries. There has also been a debate on the link between service quality and customer satisfaction and how these contributors are related to service value and intentions to use the service again
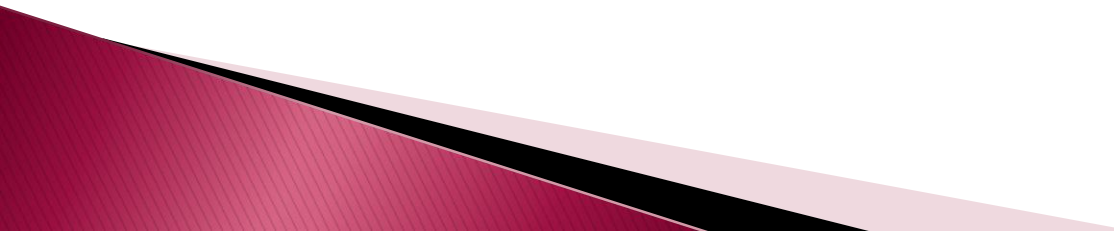
The Library Service Quality and Loyalty model

Why Focus On Customer Loyalty?

▸ Customer service drives intent to return.

▸ Intention to return is a measurable indicator of future use, thus loyalty.

▸ With a proper approach customers may naturally turn into clients and later into brand ambassadors and advocates.

Why Focus On Customer Loyalty?

▸ People who do not receive quality customer service may not complain but will simply take their business elsewhere.

▸ Library customers who do not get what they want from the library resources or services, may simply turn to other information service providers on the internet.

When do libraries lose their customers?

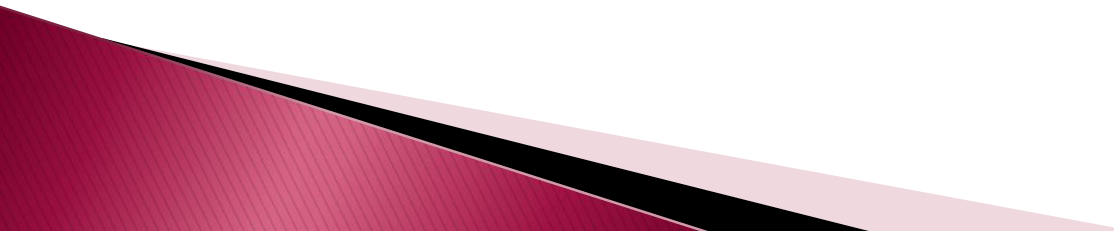It happens when the library has failed to:

- listen to their customer's feedback
- efficiently resolve issues that arise from unsatisfactory service
- establish a communication channel
- add value to the service

Basically the key is to simplify the customer's life and as evident in Google's marketing strategy – make them say '**wow**', and they will return for more.

What can academic libraries do?

- How do academic libraries compete with "*I Google*"?

- How do we brand academic libraries in the eyes of the customer so that they come back for more, or even recommend it to others!

- The academic environment is of 'value' not 'profit', thus the adoption of marketing strategies, though extremely necessary in academic library management, must be aligned to the value perceived by the students and academics.

- Libraries must know the information needs and technological inclination of the modern customer.

- Building such a positive rapport with library customers will initiate this channel of information flow and a continued long-term relationship.

▸ The opportunity to communicate value to the library customer is often overlooked during service delivery. Time constraints, limited resources and knowledge, can cause librarians to fail to establish and enhance value perception.

The measure of information service value in the form of perceived value by the target consumers of the service has potential

Thank you