

EBook Business Models

A report from the American
Library Association

for Public Libraries

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In response to urgent member concerns, the Digital Content & Libraries Working Group of the American Library Association (ALA), in close collaboration with ALA's president and executive director, has focused on influencing the largest ("Big 6") trade publishers to sell ebooks to libraries on reasonable terms. During the past months, the Working Group has developed considerable knowledge about the ebook market, publishers, and the new challenges posed by library ebook lending to inform its discussions with publishers and distributors. However, the Working Group is well aware that information about this topic is highly sought in the library community generally, and so this report was prepared to share some of what we have learned.

LIBRARIES AND THE EBOOK MARKETPLACE

Ebook publishing is expanding and evolving rapidly, and the terms under which ebooks are made available to libraries show wide variation and frequent change. Some major trade publishers will not sell ebooks to libraries under any terms; others do so only at inflated prices or with severe restrictions. Some publishers have scaled back their initial offerings, but are beginning to explore new business models under pilot programs of limited duration or in selected regions. Other publishers seem to be making little or no headway in dealing with libraries.

In this volatile period of experimentation, no single business model will offer the best terms for all libraries or be adopted by all publishers or distributors. This report describes model terms libraries should look for in their dealings with ebook publishers and distributors, as well as conditions libraries should avoid. While business models will continue to evolve, models that are explored in the year ahead may well pave the way to the models of the future. It is therefore important that libraries negotiate aggressively for the most favorable and flexible terms possible.

GENERAL FEATURES AND ATTRIBUTES

Replicating the Print Model —

Unlike a printed book, a single copy of an ebook could potentially be read by many users simultaneously, from any location. Thus, a major concern of publishers is that ebook borrowing from libraries will be so easy as to erode consumer sales. To counter this opinion, many publishers insist on terms that replicate aspects of print book lending. Some of these terms may be necessary and tolerable, at least temporarily, to offset what publishers perceive as risks in selling ebooks to libraries. Others, such as requiring patrons to come to the library to check out ebooks, will be onerous to patrons, contradicts a fundamental benefit of ebook technology, and is damaging to perceptions of library service. In any case, innovative models that test new and alternative potentials offered by ebooks should be encouraged, rather than slavishly imposing restrictions based on the characteristics of print.

Essential Features

- All ebook titles available for sale to the public should also be available to libraries for lending.
- Libraries should have an option to effectively own the ebooks they purchase, including the right to transfer them to another delivery platform and to continue to lend them indefinitely.
- Publishers or distributors should provide metadata and management tools to enhance the discovery of ebooks.

Trade-offs — Many publishers offer ebooks to libraries only under conditions less favorable than those for print. For example, new publications may be offered only after an embargo period, or the number of circulations may be limited. In such cases, when libraries are asked to give up some rights they have always had, it is reasonable and fair to expect some other benefit in return. Possible benefits include discounted prices for certain titles, a share of the revenues generated from book purchases patrons make through the library's website, and limited free access to selected titles. This report details these possibilities further below.

Essential Features — Three basic attributes are beneficial to libraries under any business model for ebooks. While it may not be feasible to realize all of these immediately, and a library may elect to do without one or more in return for more favorable terms in other areas, at least temporarily, these features are ultimately essential to the library's public role:

- **Inclusion of all titles** — All ebook titles available for sale to the public should also be available to libraries for lending. Libraries may choose not to purchase some titles if restrictions or prices are deemed unacceptable, but withholding titles under any terms removes the library’s ability to provide the services its patrons need and expect.
- **Enduring rights** — Libraries should have an option to effectively own the ebooks they purchase, including the right to transfer them to another delivery platform and to continue to lend them indefinitely. Libraries may choose more limited options for some titles or copies, or in return for lower pricing, but they should have some option that allows for permanent, enduring access.
- **Integration** — Libraries try to provide coherent access across all of the services they offer. To do this effectively, they need access to metadata and management tools provided by publishers or distributors to enhance the discovery of ebooks. Separate, stand-alone offerings of ebooks are likely to be marginalized, or to diminish awareness of other library offerings. Mechanisms that allow ebooks to be discovered within the library’s catalog and checked out or reserved without undue complexity are basic needs.

CHARACTERISTICS OF BUSINESS MODELS: CONSTRAINTS AND RESTRICTIONS

To enable library and retail distribution channels for ebooks to coexist, most business models currently offered to libraries include constraints on how ebooks can be used.

Single User — By replicating the print model, loans are limited to one user at a time for each ebook license purchased. This constraint often results in long waiting lists for popular titles, and is currently found in almost all publisher models.

While the single-user constraint is generally accepted, alternatives might be considered and sought: e.g., the ability to allow two or more simultaneous users for a higher price; the ability to combine multiple simultaneous users with a limited-number-of-loans model.

Limited Number of Loans — The library must repurchase the same title after a defined number of loans. (In theory, this is to offset the fact that ebooks don’t wear

out, get lost or stolen, have coffee spilled on them, etc.) While this model violates the principle of ownership, it may be an acceptable way of achieving lower pricing if the defined number of loans is high enough.

Ideally, this model could be combined with a sunset provision, providing for permanent ownership after a period of years. At minimum, the library should have permanent access if the ebook title is no longer offered for sale when the loan limit is reached.

Paying a set price for a limited number of loans is, in effect, a rental. Librarians may seek to apply a similar fee to current titles: a cost-per-circulation that replaces or augments purchased titles. Under this model, the library will never have enduring access to the title, unless the fee schedule is maintained. A lease-to-own arrangement¹ may be more prudent. Another option might be to seek the right to sell at a discount to the community those materials that did not circulate well. In this case, the library might share some percentage of the sale with the publisher.

Variable Pricing — Ebook prices for libraries vary widely, with some titles well above the print price and others offered at a discount. While libraries will always want to seek the best terms possible, the maximum price that is considered acceptable depends on other terms of the sale. One example of this might be a “platform” fee – a merging of a sale with database-like annual subscriptions.

Delayed Sale — Publishers may delay sales of ebooks to libraries for a period after the title is released for public sale. This embargo period or “window” may last anywhere from a few weeks to several months or more. While any delayed sale violates the principle of inclusion of all titles, a brief delay may be acceptable, especially if titles are then offered at a discount. Embargoed titles are less valuable, and their price should reflect that. Conversely, libraries may be willing to pay a premium for immediate access to the most popular titles.

In-Library Check-out — Publishers may insist that patrons come to the library in order to check out ebooks. Although this is often seen as a way of adding “friction” to the transaction, it is also presented as a guard against “shopping” for library privileges in desirable areas, or to counter the perceived risk that patrons will forego buying ebooks while traveling if borrowing is simpler. In the absence of hard

¹ As an example, a library would pay a fixed fee for each loan. After a pre-defined number of loans is reached, the library will have purchase rights to a copy of the title.

evidence that these risks are real, few libraries will find this model acceptable. The requirement for in-library check-out will make no sense to users, but be seen as a barrier needlessly imposed by the library.

If unavoidable, an alternative may be to allow check-out only by patrons who are physically present within the geographic boundaries of the library's service area.

Restrictions on Consortial or Interlibrary Loans — Publishers may attempt to forbid, through license agreements, the sharing of titles among more than one institution. In essence, this is no different than a library restricting circulation to some subset of its branches. With the one-use-at-a-time model, libraries and publishers should not need to employ such restrictions.

Digital-Native Business Models — Libraries will need to consider business models that take advantage of the digital nature of ebooks to go beyond what has existed for print. These models will have unique advantages and drawbacks that libraries should carefully consider. For example, subscription models may provide unlimited or metered access to broad collections. Open-access models, in which access to content is unrestricted, can provide global benefits when libraries act together to provide funding. Finally, libraries should give more emphasis to the use of public domain and open license ebooks.

CHARACTERISTICS OF BUSINESS MODELS: ADVANTAGES TO PUBLISHERS

Because of the fundamental shift facing trade publishing, including the entry of retail companies that currently dominate the ebook market, publishers and authors have much to gain from enabling libraries to distribute ebooks. There is compelling evidence that during periods of technological, social and economic change, people use libraries more. With many bricks-and-mortar bookstores closing, publishers need new ways to “showroom” their titles. Publishers may be willing to offer more favorable terms and lower prices in exchange for specific accommodations.

Enhanced Discovery — Library users are also heavy book buyers, and publishers value the role libraries play in connecting readers with authors. Libraries might offer to provide access to a publisher's entire catalog (including books not yet purchased) as a way of connecting readers with additional offerings which they may buy or request the library purchase. This would also enhance integration. (In addition, by refusing to load titles excluded from library sales, libraries may gain leverage in reducing or eliminating embargoes.)

Sales Channel — By adding a “buy it” link in the library catalog, libraries can generate additional sales for the publisher. In return, libraries could negotiate for a share of the revenues generated through this channel, either as a direct payment or as a discount on future purchases.

Readers Advisory — Librarians stimulate interest in books through their recommendations. By expanding this service in the ebook realm, libraries will strengthen their role of connecting readers with authors and books they might otherwise miss. Libraries may also enhance publisher offerings through reader and staff reviews incorporated into the catalog, and/or local recommendation engines.

SUMMARY

With today’s rapidly changing business environment for ebooks, the choices that libraries make today can have a profound impact on the direction taken by the entire reading ecosystem. It is thus of utmost importance that these choices be made with careful consideration of the needs of both present and future users. Decisions are best made in the context of an informed community and never in isolation or with passivity.

Comments? Write to dcwg-input@ala.org.

About the Digital Content & Libraries Working Group (DCWG)

The DCWG is a working group of the American Library Association. It was established to complement and inform an Association-wide strategy and initiative to address digital content issues and assist libraries in the evaluation and adoption of new digital formats and content. DCWG is charged to advise the Association regarding opportunities and issues related to libraries and digital content and the provision of equitable access to digital content for all. For more information visit ALA Connect at connect.ala.org/node/159669 or the American Libraries E-Content blog at www.americanlibrariesmagazine.org/e-content.