

EBook Business Models

A resource from the American
Library Association

a scorecard
for public libraries

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Digital content, unlike print materials, is sold to libraries under a range of licensing terms. One example of this is the difference between HarperCollins' 26-lending limit at moderate prices versus Random House's perpetual licenses but usually at much higher prices.

The Digital Content & Libraries Working Group (DCWG) began documenting and describing attributes of various licensing arrangements libraries may have with publishers in the August 2012 report [Ebook Business Models for Public Libraries](#). Now we are pleased to share *The Ebook Business Model Scorecard*, which more fully examines the variables often seen in ebook license agreements or contracts. At the same time, the variables, when considered as a whole, can help libraries conceptualize licenses holistically instead of fixating on one aspect of a contract in isolation.

It is worth noting that licensing models for ebooks are in flux. Many libraries are experimenting with the development of their own licensing schemes, some already entering into agreements with independent publishers and self-publishing groups. This document focuses on the kinds of licensing terms we see generally in the ebook industry at this time, and the kinds of variables libraries should consider when bargaining with publishers, or when libraries determine that they want to develop their own business models, as some proactive libraries already have done.

The *Scorecard* explains the meaning of licensing terms often seen in ebook contracts. It provides a Likert scale to assess ebook contract aspects with vendors or publishers. The *Scorecard* also can be used by librarians to "weigh" the variables most important for their library. By completing the *Scorecard* the library can identify what contract variables are essential, which can be used to craft a model contract for the library.

An analogous example would be a tall man shopping for a car. For him, "head room" is an important variable—one that he must have before buying. He may care more about "head room" than price. For a particular librarian, ebook "integration into the catalog" may be a more important variable than the "preservation" of ebooks. In this case, "integration" would get a higher score than preservation on the Likert scale. Admittedly, it is unlikely that any ebook contract will be exactly what a given librarian may want. Thus a librarian must be willing to negotiate strongly for important variables over others.

Finally, the DCWG will be using the *Scorecard* in a [survey](#) we ask you to complete. Your responses will help inform our understanding of what attributes are most

essential to libraries, and whether these attributes vary by library size or other demographic characteristics. Our goals are that you will have the needed information for developing and negotiating ebook licensing agreements locally, and that the Working Group will be better positioned to communicate and advocate with publishers, distributors, and other ebook players nationally. In addition, your input will help us develop revised versions of the Scorecard that reflect library needs and expectations.

A Scorecard for Ebook Business Models for Public Libraries

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, and are beginning to explore new business models under pilot programs of limited duration or in selected regions.

In this volatile period of experimentation, no single business model is likely to offer the best terms for all libraries or be adopted by all publishers. These guidelines are provided to describe 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 help pave the way to models of the future. It is therefore most important that libraries negotiate aggressively for the most favorable and flexible terms possible.

General Features and Attributes

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 sales to readers. To counter this, 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 perceived 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 and 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. Currently the accepted practice is one copy/one circulation at a time.

#1. Scorecard: Replicating the Print Model

On a 5 point scale rank the publisher's terms in which: 1 indicates no ebook content is offered, 3 indicates 1 copy/1 circulation and 5 indicates all ebook content is offered on less restrictive terms.

Many publishers offer ebooks to libraries only under conditions less favorable than those for print. New publications may be offered only after an embargo period; the number of circulations may be limited; etc. In such cases, when libraries are asked to give up some rights they have always had, it is reasonable and fair to expect some advantage gained in return. Possibilities are discussed in more detail below, but include discounted prices, a share of revenues generated through the library's website, limited free access to selected titles, etc.

There are certain attributes that are desirable 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, these features are ultimately essential to the library's public role.

All ebook titles available for sale to the public should also be available to libraries. 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.

#2. Scorecard: Inclusion of all titles

On a 5 point scale rank the publisher's terms in which 1 indicates no ebook content is offered and 5 indicates all ebook content available for sale to the public is offered for sale to libraries.

Libraries should have an option to effectively own the ebooks they purchase via licensing agreements, 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 in return for lower pricing, but should have some option that allows for permanent, enduring access.

#3. Scorecard: Right to transfer content to a different delivery platform

On a 5 point scale rank the publisher's terms in which 1 indicates no ebook content may be transferred, 3 indicates content may be transferred to platforms approved by the publisher and 5 indicates that all ebook content may be transferred to library-designated platforms.

#4. Scorecard: Right to lend content indefinitely

On a 5 point scale rank the publisher's terms in which 1 indicates no ebook content is offered for indefinite use and 5 indicates all content is offered for indefinite use.

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 and 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. While this is rapidly changing, mechanisms that allow ebooks to be discovered within the library's catalog and checked out or reserved without undue complexity are basic needs.

#5. Scorecard: Accessibility for people with disabilities

On a 5 point scale rank the publisher's provision of accessible ebook content in which 1 indicates no commitment to accessibility and 5 indicates all ebook content offered is in fully implemented DAISY or PUB3 format.

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#6. Scorecard: Integration

On a 5 point scale rank the publisher's terms in which 1 indicates no support for integration with the library's catalog and 5 indicates all ebook content is easily integrated into the library's catalog.

Constraints and Restrictions

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

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, 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.

#7. Scorecard: Single user

On a 5 point scale rank the publisher’s terms in which 1 indicates no consideration of single-user alternatives and 5 indicates all ebook content is offered with alternatives to the single-user model.

Under some licensing arrangements, 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 arrangement to current titles: a cost-per-circulation that replaces or augments purchased titles, or may lead to a lease-to-own arrangement (where x loans-per-circulation equal a purchase). Another option might be to seek the right to sell those materials that did not circulate well at a discount to the community. In this case, the library might even offer to share some percentage of the sale with the publisher.

#8. Scorecard: Limited number of loans

On a 5 point scale rank the publisher’s terms in which 1 indicates no ebook content is offered, 3 indicates content is offered for a fixed number of loans, 4 indicates the number of loans sunsets after a number of years or when the title is no longer offered for sale, and 5 indicates terms such as lease to purchase or the ability to sell items that don’t circulate.

Ebook prices for libraries vary widely, with some titles priced well above the print cost and others offered at a discount. While libraries will always want to seek the best terms possible, the maximum price that is considered acceptable is likely to depend 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.

#9. Scorecard: Variable pricing

On a 5 point scale rank the publisher’s terms in which 1 indicates ebook pricing exceeds 3 times hardcover list for the same book and 5 indicates all ebook content is offered at a standard library discount (about 45%) from hardcover list.

Publishers often 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.

#10. Scorecard: Delayed sales with discounts

On a 5 point scale rank the publisher's terms in which 1 indicates no ebook content offered on a delayed basis is discounted and 5 indicates all ebook content offered on a delayed basis is discounted.

#11. Scorecard: Premium for immediate access to delayed titles

On a 5 point scale rank the publisher's terms in which 1 indicates no premium access offered and 5 indicates premium access is offered at no more than twice hardcover list.

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 districts, or to counter the perceived risk that patrons will forego buying ebooks while traveling if borrowing is simpler. In the absence of hard 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 within the geographic boundaries of the library district.

#12. Scorecard: In-Library check-out

On a 5 point scale rank the publisher's terms in which 1 indicates borrower must be physically present in the library to borrow an ebook and 5 indicates all ebook content is offered for remote circulation to duly registered borrowers of the library district.

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, these restrictions should be avoided.

#13. Scorecard: Restrictions on consortia or interlibrary loans

On a 5 point scale rank the publisher’s terms in which 1 indicates no ebook content is offered for consortia borrowing and 5 indicates all ebook content offered for consortia borrowing.

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 should be carefully considered. For example, subscription models may provide unlimited or metered access to broad collections. Open access models can provide global benefits when libraries act together to provide funding. Finally, libraries have an obligation to make use of public domain and open license ebooks where they meet the needs of their patron.

Advantages to Publishers

Because of the fundamental shift facing trade publishing including the entry of retail companies who currently dominate the ebook market, publishers and authors have much to gain from allowing 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 (described below).

Library readers 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. 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.)

#14. Scorecard: Enhanced discovery

On a 5 point scale rank the publisher’s terms in which 1 indicates only purchased content is available for discovery through the library and 5 indicates all ebook content offered to the public is made available for discovery through the library including content not yet purchased by the library.

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

#15. Scorecard: Sales channel

On a 5 point scale rank the publisher's terms in which 1 indicates no offer of a buy-it link and 5 indicates all ebook content offered may have a buy-it link and revenues generated through the library link is shared with the library.

Readers advisory: Librarians stimulate interest in books through their recommendations. By extending this service to ebooks, libraries will again connect 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 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.

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