

eLending position paper

Introduction

Neither libraries nor publishers are satisfied with the license terms currently applied to books in eFormats. We are not in agreement on what availability models and prices are fair, in part because we are still breaking new ground with these formats, their capabilities, and how to measure success. This position paper proposes a single “base” licensing model that aligns with print but optionally enables the unique capabilities of eLending: perpetual licenses and concurrent use.

The proposed model offers:

- improved flexibility, which will help libraries support and promote a healthy culture of reading with eFormats the same way we do with physical formats
- no significant cost increase for libraries or revenue decrease for publishers

In addition to introducing the model, the paper describes the evolution of license terms since 2011, analyzes the impact of the model changes on collections, and suggests how adjustments might benefit both publishers and libraries. Finally, it submits recommendations for moving forward.

Note: On October 5, 2020, the [Canadian Urban Library Council](#), representing 50 Canadian libraries, unanimously [voted to endorse](#) this position paper.

Model summary

If we agree that print lending neither advantages nor disadvantages libraries and publishers unduly, then we can approach a model for eBooks that uses print as a guide.

A “base” model for a copy of an eBook can function as follows:

- The cost of a single copy will be the same as the cost of the eBook at retail, about \$15.
- The number of times that a copy can circulate will be limited to the approximate number of times a hardback copy would circulate before wearing out, about 30 – 35*.
- Libraries will have to pay more, over and above these base terms, in order to take advantage of the new capabilities enabled by eFormats:
 - Perpetual licenses: an eBook copy theoretically can exist forever, unlike print books which wear out after a certain number of circulations. A fair cost for a perpetual license will align with the average number of times a library would have repurchased a single copy. I surveyed nine libraries and consortia of various sizes for their average number of checkouts per title and found the average to be 143, indicating that a perpetual license

should cost about 4 times the amount of a license allowing 30-35 consecutive checkouts.

- Concurrent use: unlike print, a single copy can theoretically serve unlimited numbers of readers at the same time. Because library wait time is one friction point that can drive retail sales, it is reasonable to expect libraries to make up for lost retail sales difference if enabling concurrent use. As such, it may be too expensive for most libraries. However, publishers and libraries can work together on experiments that leverage concurrent use scenarios in ways that both increase readership and sales. These are discussed further below.
- Ideally, all titles will include all three options: a metered access license, a perpetual license, and packages of concurrent use checkouts as long as all options are priced such that neither publishers nor libraries are disadvantaged.

The “base” model for an eAudiobook, alternatively, would function under the following guidelines:

- The cost of a single copy will be about the same price as the eAudiobook at retail (not counting retail subscription costs), about \$25 - \$30.
- The number of times it can circulate will be about the same as a physical copy on CD would circulate before wearing out. CDs are more durable than books, so circulate more often. My library evaluates media items (CDs & DVDs) for condition after about 75 circulations. The average circulation on Audio CDs at the time of withdrawal for any reason (including the need to make room on the shelves) is 36. If we split the difference between 36 and 75 in order to estimate the useful life of an Audiobook on CD, we get 58 circs.
- Libraries will have to pay more, over and above these base terms, in order to take advantage of the new capabilities enabled by eFormats:
 - Perpetual licenses: an eAudiobook copy theoretically can exist forever, unlike an Audiobook on CD, which wear out after a certain number of circulations. A fair cost for a perpetual license will align with the average number of times a library would have repurchased a single copy. The eAudio titles in my consortium’s collection have circulated an average of 183 times. If we divide this by 58 circs per purchase, we get 3.15. So, we propose that the cost of a perpetual use license be approximately 3 times a retail price of \$25-\$30, or \$75-\$90.
 - Concurrent use: unlike physical media, a single eAudiobook copy can theoretically serve unlimited numbers of readers at the same time. Because library wait time is one friction point that can drive retail sales, it is reasonable to expect libraries to make up for lost retail sales difference if enabling concurrent use.
- Ideally, all titles will include all three options: a metered access license, a perpetual license, and packages of concurrent use checkouts as long as all options are priced such that neither publishers nor libraries are disadvantaged.

*Libraries do not specifically track the number of times items circulate before being withdrawn due to condition, so these numbers are estimates based on the average circulation at the time of withdrawal

for any reason (including the need to make room on the shelves) and the circulation count at which we pull still-circulating items to review for condition.

Perpetual license

Expecting a perpetual license to cost the same as the base price of a single copy is unfair to publishers. When we wish to purchase an item that we want available in our collection for many years, we should expect to pay approximately the amount we would pay to keep a print copy in the collection over many years.

Of course, this depends on the title. For a popular print book, we might purchase replacement copies in print 4-5 times. For example, *Rules of Prey*, by John Sandford, is the first book in a long series. *Rules of Prey* was published in 2005 and has been in continuous circulation at my library since then. Since its release, we have probably repurchased the book 3-4 times.

Alternately, some books are important to include in library collections but do not circulate frequently and therefore do not need to be replaced so often. For example, the *Tao te ching*, which my library purchased in 1992, has circulated 48 times, and is probably due to be replaced, but after we have done so, we can expect the new copy to last another 28 years.

In order to determine a fair price for a perpetual license, we can review the circulation on the eBooks in our collection and calculate how much we would have paid to retain them on average had they been metered at 30 - 35 circs.

A survey of nine libraries and consortia, with collections ranging in size from 17,532 to 115,899 titles, found that the average circulation per eBook title is 143. If a metered title allows 35 circulations, then a perpetual use title can reasonably cost about four times the metered title, or \$60.00.

(Notably, my consortium has paid \$4,198,332.42 for 53,172 titles, which works out to an average of \$81.36 per title and \$45.43 per copy, well above retail. So, we have already paid a factor of the retail price for titles that are currently almost entirely metered.)

Currently, no major publishers offer a perpetual license on eBooks. eAudiobooks from Penguin Random House, Macmillan, and HarperCollins are currently available on a perpetual license.

Concurrent use

Some libraries and publishers are experimenting with simultaneous use models or cost-per-circ models. However, libraries should expect this capability to be expensive, because offering on a popular title removes the wait list friction that we believe drives approximately 8% of retail sales per a [patron study](#) by Jefferson County Library in Washington State. If we are to offer this capability with the goal that publishers will not lose retail sales, we will have to expect to make up to them the sales they would have made on a title with the usual sequential use licenses.

A detailed analysis of a fair price for concurrent use is pending.

Publishers may wish to employ concurrent use scenarios for new authors as a marketing tactic, but we will discuss this further below.

History of license models and pricing

Ebooks

To understand exactly how the various models developed, I pulled a set of purchase order detail reports spanning the last ten years from OverDrive Insights. I included at least one purchase order from each month in the time period and the final set totaled 11,357 purchases of titles.

Notes:

- This is a fraction of the total number of purchases for the consortium, so the average numbers are estimates. It is not currently possible to pull all of the data from Marketplace, so I have asked OverDrive to pull it for me. They have not yet agreed to do so.
- The analysis focuses on prices and license terms from the Big Five publishers since they represent the bulk of our collection

In brief, the average price per copy has tripled in nine years at the same time that license models have become much more restrictive. In 2011, the average price per copy from the major publishers was \$13.37, offered with a perpetual license from most publishers. In 2020, no major publishers offer a perpetual license, and the average cost per copy is \$39.96.

Roughly the timeline is as follows:

- 2011: Most major publishers were offering eBooks to libraries for sale at approximately retail prices on a perpetual license (although some did not make their full catalog available at that time). As discussed above, the combination of retail pricing for a perpetual license was unfair to publishers.
- 2013: Prices rose to a multiple of the retail price, which aligns with the proposed model that a perpetual use license should cost approximately 4 times retail. In other words, prices and license terms were relatively reasonable.
- 2018: Publishers switched license models from perpetual use to metered access but did not lower their prices. A combination of metered access at prices at 2-3 times the price of retail is unfair to libraries.

Average price per copy

eBOOKS	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Average
Hachette	\$13.30	\$13.57	\$38.14	\$9.49	\$16.66	\$67.38	\$56.47	\$67.85	\$61.64	\$59.86	\$40.44
MA: 24 mo									\$62.76	\$59.86	\$61.31
MA: 26 ckos				\$9.49	\$9.49	\$8.99	\$12.21	\$11.74	\$14.24		\$11.03
One copy/One user	\$13.30	\$13.57	\$38.14		\$21.44	\$68.57	\$62.25	\$71.86	\$67.69		\$44.60
Harlequin	\$7.41	\$8.37	\$7.77	\$7.57	\$9.06	\$8.45	\$9.24	\$9.18	\$9.80	\$12.84	\$8.97

MA: 26 ckos					\$8.31	\$8.45	\$9.24	\$9.18	\$9.80	\$12.84	\$9.63
One copy/One user	\$7.41	\$8.37	\$7.77	\$7.57	\$18.49						\$9.92
HarperCollins	\$14.30	\$21.33	\$9.93	\$12.84	\$11.11	\$11.68	\$12.99	\$12.95	\$13.01	\$12.23	\$13.24
MA: 26 ckos			\$9.81	\$12.74	\$11.11	\$11.68	\$12.99	\$12.95	\$13.01	\$12.23	\$12.06
One copy/One user	\$14.30	\$21.33	\$17.38	\$18.21							\$17.81
Macmillan					\$46.39	\$45.45	\$47.00	\$46.04	\$43.64	\$47.56	\$46.01
MA: 24 mo									\$42.86	\$47.56	\$45.21
MA: Earlier 52 ckos/24 mo					\$46.39	\$45.45	\$47.00	\$46.04	\$43.72		\$45.72
Penguin	\$13.70	\$14.32	\$12.75	\$13.22	\$14.26	\$34.56	\$42.63	\$54.44	\$50.62	\$38.68	\$28.92
MA: 12 mo			\$12.88	\$13.22	\$14.24					\$25.00	\$16.33
MA: 24 mo								\$62.81	\$50.62	\$55.00	\$56.14
MA: Earlier 36 ckos/24 mo								\$26.55			\$26.55
One copy/One user	\$13.70	\$14.32	\$7.49		\$28.74	\$34.56	\$42.63	\$53.18			\$27.80
Random House	\$16.70	\$28.13	\$35.25	\$43.85	\$50.81	\$53.23	\$53.63	\$51.96	\$45.12	\$36.56	\$41.52
MA: 12 mo										\$26.39	\$26.39
MA: 24 mo								\$47.78	\$53.07	\$52.24	\$51.03
MA: Earlier 25 ckos/24 mo							\$4.99	\$8.79	\$7.35	\$9.32	\$7.61
MA: Earlier 36 ckos/24 mo									\$12.68		\$12.68
One copy/One user	\$16.70	\$28.13	\$35.25	\$43.85	\$50.81	\$53.23	\$54.18	\$55.13	\$18.82	\$21.48	\$37.76
S&S	\$14.83	\$15.78	\$13.57	\$15.98	\$15.70	\$14.68	\$15.99	\$15.38	\$26.86	\$44.26	\$19.30
MA: 12 mo					\$15.69	\$14.26	\$15.50	\$15.37	\$15.42		\$15.25
MA: 24 mo						\$31.49		\$16.49	\$44.81	\$44.26	\$34.26
MA: 26 ckos			\$25.00								\$25.00
MA: Earlier 52 ckos/24 mo						\$50.00	\$50.00				\$50.00
One copy/One user	\$14.83	\$15.78	\$12.43	\$15.98	\$16.18	\$27.99					\$17.20
Average	\$13.37	\$16.92	\$19.57	\$17.16	\$25.48	\$37.29	\$37.49	\$40.81	\$39.61	\$39.96	\$28.34

eAudiobooks

The eAudio landscape is somewhat more complex than the eBook landscape, where we can slice and dice by the five big publishers. eAudio includes those five, plus two more significant contributors: Blackstone Audio and RBMedia. While it is not very clear in OverDrive Marketplace, it seems that each of these two eAudio publishers publish some works under their own banner and also contract with some of the Big Five Publishers to enable eAudiobooks.

Summary

Between 2011 to 2020, the average unit price of an eAudiobook increased by 71%, which is significant, although not as bad as the 200% increase we see in eBooks. From 2011 to 2018, all eAudiobooks from these publishers were offered under an OC/OU license. In 2019, three of the publishers (Blackstone, Hachette, and Simon & Schuster) moved to a metered access license that expires after 24 months. In 2020, in response to the pandemic, Penguin Random House offered a choice of models, with an OC/OU

copy or a 12-month metered access copy for half price. (This choice has been extended through March 31, 2021, but may not be offered after that.)

The publishers who offer OC/OU licenses are HarperCollins, Macmillan, Penguin Random House, and RBMedia with average unit prices in 2020 of \$63.36, \$53.61, \$67.55, and \$61.12 respectively. Since we believe a fair price of an OC/OU license starts at \$75, all of these publishers currently offer favorable terms to libraries – these books are bargains. The titles that Blackstone offers under an OC/OU license are likewise favorable with an average unit price of \$50.57.

The outlying publishers are Hachette and Simon & Schuster who offer a 24-month Metered Access license with an average unit price of \$62.56 and \$70.63 respectively. The titles that Blackstone offers under a 24-mo MA license (which appear to be all from Hachette) likewise are priced very unfavorably, with an average of \$65.00.

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Average
Blackstone	\$43.65	\$47.87	\$46.20	\$43.49	\$52.46	\$47.61	\$50.23	\$51.30	\$54.44	\$50.57	\$48.78
MA: 24 mo									\$65.00		\$65.00
One copy/One user	\$43.65	\$47.87	\$46.20	\$43.49	\$52.46	\$47.61	\$50.23	\$51.30	\$51.19	\$50.57	\$48.46
Hachette Audio	\$21.36	\$27.20	\$47.12	\$34.59	\$45.31	\$45.98	\$39.62	\$47.98	\$45.29	\$62.56	\$41.70
MA: 24 mo									\$45.50	\$62.56	\$54.03
One copy/One user	\$21.36	\$27.20	\$47.12	\$34.59	\$45.31	\$45.98	\$39.62	\$47.98	\$44.99		\$39.35
HarperCollins	\$37.32	\$39.96	\$46.57	\$42.68	\$48.96	\$50.68	\$58.19	\$59.93	\$61.30	\$63.36	\$50.89
One copy/One user	\$37.32	\$39.96	\$46.57	\$42.68	\$48.96	\$50.68	\$58.19	\$59.93	\$61.30	\$63.36	\$50.89
Macmillan	\$56.86	\$52.64	\$56.03	\$56.58	\$52.55	\$51.20	\$57.13	\$51.90	\$55.33	\$53.61	\$54.38
One copy/One user	\$56.86	\$52.64	\$56.03	\$56.58	\$52.55	\$51.20	\$57.13	\$51.90	\$55.33	\$53.61	\$54.38
Penguin Random House	\$65.62	\$70.89	\$68.30	\$65.03	\$74.86	\$70.38	\$72.99	\$75.29	\$77.48	\$48.45	\$68.93
MA: 12 mo										\$38.38	\$38.38
One copy/One user	\$65.62	\$70.89	\$68.30	\$65.03	\$74.86	\$70.38	\$72.99	\$75.29	\$77.48	\$67.55	\$70.84
RBMedia	\$34.73	\$41.97	\$34.45	\$49.89	\$52.81	\$63.55	\$59.95	\$70.51	\$59.28	\$61.12	\$52.83
One copy/One user	\$34.73	\$41.97	\$34.45	\$49.89	\$52.81	\$63.55	\$59.95	\$70.51	\$59.28	\$61.12	\$52.83
Simon & Schuster	\$18.31	\$35.98		\$63.13	\$76.24	\$70.39	\$76.77	\$68.15	\$73.21	\$70.63	\$61.42
MA: 24 mo									\$77.13	\$70.63	\$73.88
One copy/One user	\$18.31	\$35.98		\$63.13	\$76.24	\$70.39	\$76.77	\$68.15	\$71.10		\$60.01
Average	\$35.37	\$40.94	\$46.07	\$48.39	\$54.72	\$54.90	\$56.98	\$58.30	\$58.14	\$60.31	\$51.67

Data

I pulled a set of eAudio purchase order detail reports spanning the last ten years from OverDrive Insights. I included at least one purchase order from each month in the time period and the final set totaled 4,100 purchases of titles. This is a fraction of the total number of purchases for the consortium, so the average numbers are estimates. It is not currently possible to pull all of the data from Marketplace.

Why fair prices matter

In one way, a “fair price” is simply what a business is prepared to offer and what a customer is prepared to pay, the fair market value. In that sense, the existing prices on eBooks are “fair prices.”

However, the realities of limited budgets and patron behavior do mean that an increase in publishers’ prices does not necessarily translate into an increase in revenue for that publisher (which presumably is the goal).

As such, it may be useful for publishers to understand how library budgets and purchasing work so that they can anticipate the implications of raising prices or adding limitations.

Library budgets are often limited by law

First, public libraries are government entities which very often have restrictions on the amount of revenue we can generate. In Whatcom County, WA, the library system revenue comes from a property taxing district which is not permitted to increase annually more than 1%, regardless of how much property values rise.

To put this another way, the average cost of an eBook from a major publisher tripled between 2011 and 2020. In that time, my library’s revenue will have increased no more than 11%.

By comparison, the cost of print materials for adults increased more or less in step with library budgets:

Adult titles	2012	2013	2014	2015	2016	2017	2018	2019	% change
Trade hardcover									
Fiction	\$26.63	\$26.69	\$26.82	\$26.98	\$25.75	\$26.00	\$26.58	\$29.10	9%
Nonfiction	\$27.58	\$27.74	\$28.00	\$28.09	\$28.83	\$29.42	\$29.92	\$35.07	27%
Trade paperback									
Fiction	\$15.51	\$15.73	\$15.63	\$16.06	\$15.83	\$16.19	\$16.19	\$17.46	13%
Nonfiction	\$20.35	\$20.59	\$20.75	\$20.79	\$20.72	\$20.75	\$20.81	\$22.62	11%
Mass market paperback	\$7.67	\$7.66	\$7.66	\$7.69	\$9.18	\$9.32	\$9.00	\$7.43	-3%

Source: https://www.slj.com/?global_search=average+prices&page_number=1

Because many library patrons have switched from using print materials to eMaterials, we have shifted money from the print budget to the eMaterials budget. This tactic has worked to address the organic growth in eLending we have seen, as patrons migrate from print materials to eBooks, but when organic growth occurs in concert with increased prices or limitations, maintaining a robust online collection begins to become unsustainable, almost always to the detriment of the midlist.

Why libraries may be important to new and midlist authors from the traditional publishers

Note: Before beginning this discussion, I wish to acknowledge the narrative promoted by Macmillan, but originating with Amazon, suggesting that library eLending hurts author income. The narrative is mistaken, and those who are interested to know more may review a discussion in the appendix. In fact, we propose that libraries may be critical to the success of new, niche, and midlist authors for two reasons:

- Discoverability
- Readership

Discoverability

Author discoverability -- helping readers find authors -- has always been a challenge for publishers, but it has become exponentially more challenging for traditional publishers in the age of Amazon, simply because of the sheer number of books – millions – that Amazon has made instantly and inexpensively available in the eBook format.

According to an [Atlantic article from August 2019](#), traditional publishers each issue 1,500 – 2000 books per year. By contrast, Amazon has published millions of them on the Kindle Direct Publishing platform and it sells them both as individual titles and in a subscription package, Kindle Unlimited. Separately, it publishes approximately 1,100 titles per year through its Amazon Publishing division and markets those books to subscribers, often discounted or free for a limited time. As a result, sales on some Amazon Publishing titles have in some weeks outpaced *New York Times* mega-bestsellers such as *Where the Crawdads Sing*.

Given the enormous number of titles available to readers in combination with Amazon's marketing reach, traditionally-published authors have a much more difficult time getting readers' attention now than they did 11 years ago when Amazon launched Kindle Direct Publishing. In fact, because Amazon advertises on behalf of its own authors, it actively can impede discoverability. For example, an exact-match author search on Amazon for Brandon Sanderson, an award-winning fantasy author for Tor, returns five products from two separate Kindle Direct Publishing authors. The first book written by Brandon Sanderson is 6th on the page.

The screenshot shows the Amazon website interface with search results for "brandon sanderson". The top navigation bar includes the Amazon Prime logo, a search bar with "brandon sanderson" entered, and account information for "Hello, C.A.". Below the navigation bar, there are links for "Amazon Locker - Taro Everett 98201", "Browsing History", "Best Sellers", "New Releases", "Coupons", "Gift Cards", "Find a Gift", "Prime Video", "C.A.'s Amazon.com", "Customer Service", and "Today".

The search results page displays "1-48 of 550 results for 'brandon sanderson'". On the left side, there are filters for "prime Delivery" (Today by 6PM, All Prime), "Delivery Day" (Get It Today, Get It by Tomorrow), "Kindle Unlimited" (Kindle Unlimited Eligible), and "Department" (Books, Fantasy, Action & Adventure Fiction, etc.).

The main content area features several book covers and titles:

- Defender (The Sanctuary Series Book 1)** by Robert J. Crane, with a 4.5-star rating and 365 reviews.
- The Sanctuary Series, Books 1-3: Defender, Avenger and Champion** by Robert J. Crane, with a 4.5-star rating and 1,835 reviews.
- The Complete Chronicles of William Wilde** by Davis Ashura, a sponsored result.
- A Testament of Steel (An Epic Fantasy Adventure): An Anchored Worlds Novel (Instrument of Omens)** by Davis Ashura, a sponsored result with a 4.5-star rating and 85 reviews.
- Rhythm of War** by Brandon Sanderson, a sponsored result, which is Book 4 of 4: The Stormlight Archive, available as an Audible Audiobook for \$0.00 (originally \$57.97).

Because discoverability on Amazon is so challenging, publishers who are developing the careers of emerging authors may wish to make more overt use of libraries, because readers use libraries overtly for the purpose of discovery, and because libraries are designed to help them.

According to a [generational readership study](#) conducted by *Library Journal* and funded by several publishers, 42% of Millennials use the library to “take a chance on a new author or book I never heard of” and over 75% of Generation Z, Millennials, and Generation X survey respondents reported purchasing a book by an author they first encountered in the library.

The use of the library to discover new authors is echoed in the [2012 study from Pew “Libraries, Patrons and eBooks”](#), which states:

Many of our online respondents described how the library fit into their book discovery process as a way to “try out” new authors and genres before committing to a print purchase. “I like to read new-to-me authors by borrowing from the library,” one said. “If I enjoy the book, I will then purchase it.”

The Pew study does not quantify the number of people who purchase books from authors they discover in the library, but another study shows that a significant segment of library users are also avid book buyers. A [2018 Canadian study](#) of 14,149 people found that approximately 29% of the people who

reported borrowing from the library the past year also purchased a book within the past year. The study also found that those people who both borrow and buy books purchase more books on average than book buyers who do not use the library. In other words, there seems to be a segment of “power readers” who purchase significant numbers of books and also use the library, perhaps for discovery.

The library helps readers find authors overtly in several ways:

- Libraries dedicate millions of dollars a year to eBook collections to ensure that their readers have the same convenient instant access to eBooks that Amazon offers.
- Librarians work to add metadata to every title, maximizing the chances that the readers searching the online catalog find authors that will appeal to them.
- Readers looking for new things to read are never distracted by ads when using library catalogs.
- Library staff are book experts who have book discovery conversations with readers every day in almost every community in the U.S. and Canada.

Discoverability may be especially important to the success of new authors of color that [traditional publishers plan to sign and promote](#). A [2015 study](#) from Pew, found that

“Americans use of public libraries and generally positive attitudes about them cut broadly across all demographics surveyed. However, for lower-income Americans and those who are members of communities of color, libraries have a special role...”

The study states that 50% of African-Americans surveyed over the age of 16 had checked out a print book in the library in the last 12-months, while the percentage for Latinx survey respondents was 58%. (The number for white respondents was higher, which suggests that African-American and Latinx library users might check out more books if the books available to them are more representative.)

Regardless, if the demographics of library use are more diverse than the demographics of people who are able to purchase books (as seems likely), the library may be a place where diverse authors can build the important readerships they need in order to support themselves over a career.

Readership

We know from multiple studies that reader recommendations are an important catalyst for book purchases. According to a 2013 Bowker study commissioned by Penguin Random House, [recommendations from friends and relatives, are the #1 reason people buy eBooks](#). Similarly, 60% of the millennials in the LJ study reported that they find out about the books they read from friends or relatives. Finally, according to [Pew Research in 2012](#):

Generally, book readers of all age groups depend most on family, friends, and co-workers for book recommendations—some 68% of Americans under age 30 find out about books this way, as well as 64% of older adults.

In other words, every day readers do more to help other readers find new authors than any overt marketing a publisher might do, including advertising, special displays in book stores, etc. Ordinary readers even do more than influencers such as celebrity book club leaders or industry experts such as

bookstore salespeople or librarians. In order for authors to generate the recommendations that drive their sales, they need to build a base of readers, including the kinds of readers that use the library. More readers lead to more recommendations, which lead to more sales.

If we agree that any given book will have more potential readers than buyers, then the library has an important role in supplying authors with millions of readers who might not be able or willing to purchase books, but who are happy to recommend them to friends and family who will be interested. These reader recommendations are likely to be especially important to midlist and niche authors, since a publisher’s marketing budget tends toward emerging authors, best-sellers, or award-winners.

Higher prices result in smaller collections skewed away from the midlist

If we agree that discoverability in library collections is valuable to authors in inverse proportion to the authors’ popularity, then it is worth looking at how higher library eBook prices work to disadvantage these authors.

A simplified example demonstrates how this works:

	2011	2020	% change
Library budget	\$100,000.00	\$111,000.00	11%
eBook cost	\$15.00	\$45.00	200%
Bestsellers per year	52	52	0%
Copies per best seller	20	20	0%
Spending on bestsellers	\$15,600.00	\$46,800.00	200%
Budget for midlist	\$84,400.00	\$64,200.00	-24%
Midlist titles purchased	5627	1427	-75%

Let us say that a library in 2011 has \$100,000 to spend for a year on eBooks that cost \$15 each. Let us say likewise that each week, a best seller comes out and the library knows it will purchase 20 copies each to ensure that patrons will not have to wait longer than four months for a title.

The library thus spends \$300 on each best seller for a total of \$15,600 and has \$84,400 to spend on a broad collection including new authors. Assuming one copy of each book, the library can buy 5,627 new midlist books.

Now, in 2020, prices have tripled to \$45. The library’s budget has grown 11% to \$111,000. And there are still 52 best sellers per year. If the library buys 20 copies each, the total will be \$46,800, leaving only \$64,200 for the general collection. At \$45 per copy, \$64,200 will allow the library to buy 1,427 new midlist books, 25% of what it was able to purchase in 2011.

Theoretically, a library could shift some money away from the best sellers and allocate it to the midlist by purchasing fewer best-selling titles or fewer copies, making patrons wait longer. However, the patrons who want the best sellers are a “known quantity.” Most libraries work hard to maintain their midlist, but few libraries are willing to extend the wait time on books with known demand for the sake of maintaining a mid-list collection with demand that is hard to anticipate.

In sum, price increases out of proportion to budget increases cause total collection sizes to shrink and collection proportions to skew toward best sellers rather than the midlist. The authors who benefit most from being part of a library collection are increasingly underrepresented.

Lowering prices will not lower publisher or distributor revenue

Because libraries are government institutions, we budget annually for the amount we intend to spend on a collection and we buy as many books as we can up to that amount. As such, publishers and distributors who lower prices are unlikely to see a corollary revenue decrease. (Unfortunately, revenues may decrease in 2021 because of recession, however.)

Recommendations for adjustments to eLending

There are two steps to adjusting eLending.

1. Enable the “base” model, which uses license terms and prices that align with print
 - Migrate to checkout-based metered access models
 - Restore fair pricing aligned with print
 - Increase distributor discounts
2. Enable capabilities unique to eBooks in order to grow readership.
 - Offer premium price perpetual use license on every title
 - Offer premium price concurrent use packages on every title
 - Coordinate experiments with concurrent use technologies to learn how it can be used to grow circulation and sales

Base model: migrate to time-based metered access

At present, only HarperCollins uses a time-based metered access model, selling eBooks for approximately retail price and expiring the license after 26 checkouts. All the other major publishers used time-based metered access for eBooks, usually a 24-month expiration. For eAudio, they use either time-based metered access or perpetual use.

Unfortunately, time-based metered access functions to maximize discoverability and availability for authors who do not need it, the best sellers and award winners whose books check out continuously. Time-based metered access penalizes emerging and mid-list authors by expiring their works out of a collection regardless of how many times the books have been checked out.

For example, new books from a popular author such as Jodi Picoult will check out an average of 44 times in the 24-months we are allowed by the existing Penguin Random House eBook license. New books from less popular authors check out an average of 35 times before expiring.

To ensure books from emerging and midlist authors have the same opportunity to be discovered and read as books from more famous authors, publishers need to move to a checkout-based metered access model, where an ebook or eAudiobook expires only after it has been checked out a certain number of times, rather than after a certain number of months.

Benefits to publishers:

Approximately 25% more eBook and eAudiobook readers will be able to discover emerging and midlist authors. Readership increases recommendations and recommendations increase sales.

Publishers who are currently offering eAudio titles under high-priced perpetual license may also see improved discoverability as libraries buy far more of their titles under less expensive metered access model.

Benefits to libraries:

Checkout based metered access allows libraries to use the same criteria for selecting eBooks that we use for selecting print books, creating more efficient work flows. It also improves fiscal responsibility, as it enables more readership and value from the titles we purchase.

Note:

Publishers may have assumed that time-based metered access would not negatively impact emerging or midlist authors because libraries will renew licenses on the ebooks we buy. With print, it is generally true that if a book merits a first purchase and circulates well, libraries will replace it without question at the end of its physical life. However, eBook and eAudiobooks are priced so high that libraries cannot just replace copies. A title needs not just to be good, but to be better than alternatives. In other words, we cannot purchase a replacement copy of both Jodi Picoult and replacement copy of a new author’s book. We have to choose one or the other, which brings us to the next important component of the “base” eLending model: pricing.

[Base model: prices align with retail](#)

Below are the current prices on Brandon Sanderson’s recently released best-seller *Rhythm of War*:

	Individual price	Library price	% Difference
Hardback	\$20.99	\$25.54	22%
Audiobook on CD	\$83.84	\$52.24	-38%
eBook	\$15.99	\$60.00	275%
eAudiobook	\$58.18	\$99.99	72%

In 2009, eLending unit prices more or less aligned with retail pricing, but in the last 10 years, they have increased significantly, jumping by 70% on eAudio and 200% on eBooks. Since library budgets have not increased in proportion, libraries are buying fewer books and are skewing their eCollections toward best-sellers, for which there is known patron demand.

If publishers value the discoverability and readership that libraries enable on behalf of emerging authors, then they should align prices on eBooks with print prices so that libraries can do the same kinds of showcasing with eBooks that we do with print. Library promotional activities include:

- Inclusion in “Hot Picks” or “Beyond Bestsellers” collections
- Book club recommendations
- Readers advisory conversations
- Book lists
- Community reading events

Benefits to publishers:

Revenue will remain the same, but it will be spread more evenly across authors rather than skewing toward best sellers. Libraries will be able to promote authors in the eBook format, create special eBook collections, book lists, etc. We will thereby drive discoverability and readership for lesser known authors in the eBook and eAudiobook formats the way we do currently with physical formats.

Benefit to libraries:

Our mandate is to offer a broad collection of informative, enriching material. eBook prices in line with print will enable us to offer more than just best sellers to eBook readers.

Base model: increase distributor discounts

This paper has focused primarily on publishers, but it is important to note the existence of third parties that also profit like publishers from associations with libraries. Libraries don't pay publishers directly. Distributors such as OverDrive, RBDigital, and 3M Cloud Library are in fact the recipients of revenue from libraries buying eBooks, and publishers are the recipients of a portion of what libraries pay distributors.

Other book distributors, such as Baker & Taylor and Ingram, purchase print materials at approximately 50% of the list price and sell to libraries with a ~40% discount off list (depending on the contract), retaining 10%. eBook distributors like OverDrive also purchase books at wholesale prices, but do not pass along the discount to libraries.

We believe that eBook distributors, like print distributors, purchase books from publishers at approximately 30-50% off. In other words, for every \$50 libraries spend on eBooks, OverDrive receives approximately \$15-25. Under this model, there is no incentive for OverDrive to control publisher price increases or implement features that would help libraries control costs.

The landscape is complicated by the fact that OverDrive, which was a virtual monopoly before being acquired by KKR, is now one and the same with RBDigital, one of its two primary competitors. So, competition will not keep OverDrive's prices down.

If OverDrive were to begin offering discounts, that would be one way to show good faith to libraries, which otherwise cannot sustain the high price/high restriction environment. Libraries' options, if we cannot pay, are:

- Reduce patron service levels
- Buy fewer books
- Alternatives such as DPLA marketplace/SimplyE
- Stop offering eBooks to library patrons

While the last option sounds drastic, almost 10% of the libraries in my consortia will decide in 2021 whether they will drop out and cease to offer eBooks to patrons. I am certain that many other libraries across the country are in the same situation. The economic downturn is a factor, but it has really only exacerbated the problem of high prices and restrictive licenses.

Benefit to distributors:

Discounting will help distributors retain library customers and OverDrive is unlikely to see a revenue loss because library spending is budgeted. If we have \$100,000 to spend on a collection, we will spend that amount whether it buys us 2,000 eBooks or 4,000.

Benefits to publishers:

Libraries can purchase broad print collections and boost the careers of emerging authors in part because distributor discounts make books more affordable. If libraries are to create the opportunities for promotion in the eBook format, both publishers and distributors will need to contribute to affordable eBooks and eAudiobooks the way they do with print.

Benefits to libraries:

With lower prices, libraries will be able to purchase more books and offer eCollections with more breadth.

Extended model: enable perpetual use options on all titles

When the base model is in place, and libraries are able to grow the breadth of their collections, then it will be worthwhile to explore the special opportunities that eFormats offer to both libraries and publishers.

Libraries value the opportunity to purchase a perpetual use license (at a premium price) on certain titles, which we would prefer not to replace over and over. These kinds of books include:

- Entries in long popular series (because borrowers complain when we are missing them)
- “Classics” that we want in the collection even though they do not circulate often, such as *The Joy of Cooking*.

For the convenience of not having to evaluate these titles for repurchase, libraries are willing to pay a premium price. We believe a fair price for an eBook perpetual license is four times the amount of the retail eBook. For eAudio, a fair price is three times the amount at retail (because they are books we might need to replace three or four times in print over the course of a book’s life).

Currently, none of the major publishers offer eBooks under a perpetual use license although most of them do offer the license on eAudio. The recommendation to those publishers is to move to a “base” model enabling 55-60 checkouts for retail price (aligning with the Audio book on CD model) and, in addition, to offer a perpetual use license at three times retail.

Publishers will benefit in two ways:

Libraries will be able to buy more titles because the metered access license will be less expensive than the current perpetual use license.

The publishers currently offering perpetual use licenses can generate more revenue by raising prices. Currently, all four offer eAudiobooks at less than the recommended price of three times retail for a perpetual use license. Publishers thereby can offset somewhat the impact of the price decreases on eBooks, which are currently offered at well over the recommended prices.

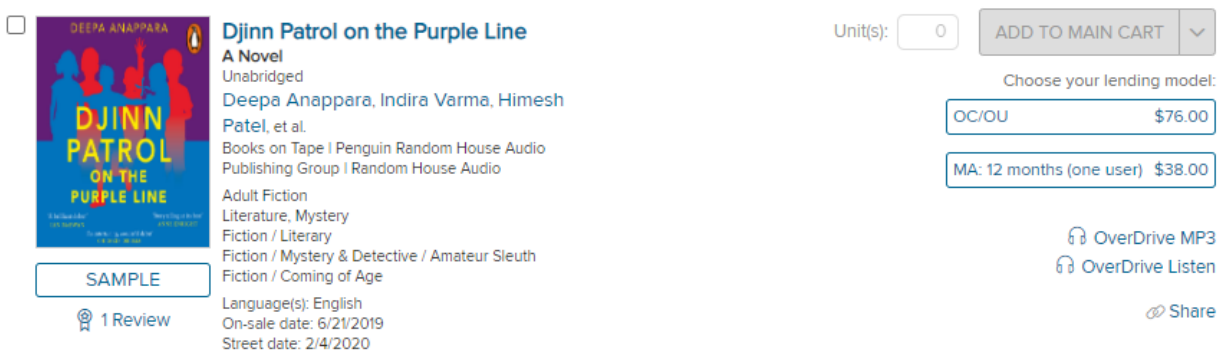
Benefit to libraries:

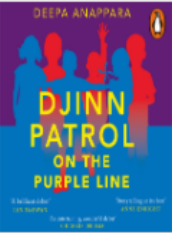
We will be free of the “one size fits all” license model and can choose metered access for books that we want to try out and perpetual use for books we know we want to keep.

Note:

PRH is currently offering special pandemic pricing on eAudio, which allows selectors to choose between a perpetual use license and a metered access license. If the metered access were checkout-based rather than time-based, this would be ideal.

Since this is a debut novel, libraries may not feel they can take a chance on a \$76.00 perpetual use copy, especially when there are many books available by better-known authors. The lower-priced metered access option enables selectors to try new authors.



 **Djinn Patrol on the Purple Line**
A Novel
Unabridged
Deepa Anappara, Indira Varma, Himesh Patel, et al.
Books on Tape | Penguin Random House Audio Publishing Group | Random House Audio
Adult Fiction
Literature, Mystery
Fiction / Literary
Fiction / Mystery & Detective / Amateur Sleuth
Fiction / Coming of Age
Language(s): English
On-sale date: 6/21/2019
Street date: 2/4/2020

Unit(s):

Choose your lending model:

OC/OU	\$76.00
MA: 12 months (one user)	\$38.00

[OverDrive MP3](#)
[OverDrive Listen](#)
[Share](#)

Extended model: offer concurrent use on all titles

Many library promotional activities require that multiple copies of books be available for a certain time frame. For example, book clubs ask members to read the same book each month. And community reading events ask community members to read the same book over the duration of the promotion. With print, this poses challenges, because it means that libraries purchase many copies of books that we do not wish to retain. With eBooks and eAudiobooks, however, it is possible for libraries to purchase a certain number of concurrent use licenses and thereby manage their promotions more efficiently. It would be ideal if concurrent use licenses were available on all titles.

We know that increased library availability might impact retail sales on titles, and so are willing to pay a premium over retail prices for concurrent use licenses to offset any losses publishers might incur. Analysis is pending on what a fair price for a concurrent use license would be, but early estimates suggest 8-10% of the retail price of the eBook is a fair price for a single concurrent use license on a title.

Benefit to publishers:

Concurrent use licenses enable libraries to select books for special promotion through book club recommendations and community reading events. Libraries often select books with diverse voices and new unique perspectives, thereby creating audiences for these authors.

Benefit to libraries:

With reliable access to concurrent use licenses, libraries can plan events without being constrained by the availability of the books we wish to promote.

Extended model: experimentation with concurrent use

Concurrent use is a truly new capability, which publishers and libraries can explore together as an opportunity to grow readership and sales. For example, we know that approximately 40% of library eBook readers browse collections to find something new to read (rather than searching for a specific title or author). What if the first entry in every long book series was always available thanks to concurrent use? Might the sales on that series go up if readers are always able to discover the series through the library?

In order to understand how concurrent use might cultivate a growing reading community, libraries and publishers need to conduct experiments with the capability, sharing data and best practices. Besides enabling early series entries, other experiments might include:

- Enabling debut author library books for concurrent use and measuring the number of people who discover them relative to debut authors whose book is not enabled for concurrent use.
- Enabling and marketing concurrent use Book Club Kits and measuring sales on those titles against books marketed as Book Club Picks in a prior year.

Benefits to publishers:

Publishers are dealing with competition, not just from each other but from other compelling content options, such as streaming video. They need to seize the opportunities that eFormats offer, use the data tracking that they enable, and use it to maximize the growth of reading in the 21st century rather than relying on old models.

Benefits to libraries:

Reasonably priced concurrent use options should grow readership and circulation, which is a goal at every library.

Conclusion

It is an interesting fact that in the 11 years since Amazon Publishing launched their imprints, none of their home-grown authors have ever made the New York Times bestsellers list. Their sales are high thanks to heavy promotion on one of the most powerful advertising platforms in the world. But Amazon Publishing authors have never broken into the public consciousness like Delia Owens, Alex Michaelides, Tomi Adeyemi, or other compelling new authors. Why?

We posit that one important component to the success of a new author is library readership. Amazon Publishing does not currently market to libraries. Traditional publishers, who do, functionally kickstart authors' careers when they work hard to encourage libraries to buy their books. Libraries create readership. Readership creates buzz. Buzz creates best sellers.

If publisher accept that libraries are an important, if not mission-critical, component of selling books and creating viable careers for authors, then it is important that eFormats, which are growing, function in libraries like physical formats do. The current restrictions and high prices on eBooks and many eAudiobooks do not serve publishers, libraries, or readers. We can work together to make it better, using this new technology to cultivate a growing, vibrant culture of reading in our communities.

Thanks

I am indebted to several people for offering feedback on this paper and support for its ideas.

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- Beth Helstien from [San Juan Island Library](#)
- Sarah Morrison from [North Olympic Library System](#)
- Will Stuivenga, WDLC project manager with the [Washington State Library](#)

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About the author

Carmi Parker is a librarian and ILS Administrator for Whatcom County Library System headquartered in Bellingham, Washington. She serves on the Executive Advisory Committee for the [Washington Digital Library Consortium](#) (WDLC), an OverDrive consortium of 45 tiny-to-medium-sized libraries serving ~850,000 residents of Washington State. She also is a member of the [Readers First](#) Working Group, advocating for improved eBook experiences for libraries and patrons, and was a coordinator of the 2019-2020 [Macmillan boycott](#) in response to their eBook embargo. She received her MLIS from the University of Illinois at Urbana-Champaign in 2015 and worked for 14 years before that at Microsoft as a technical program manager in the Online Services Division. She lives in Everett, Washington with one husband, two sons, two dogs, three cats, four [leaf bugs](#), and five [sterbai corydoras](#). She can be reached at carmi.parker@wcls.org.

Appendix

Publisher concerns

Background

Sometime in 2017 or early 2018, Amazon reported to Macmillan (and perhaps the rest of the Big Five) that it was measuring both the retail sales of Macmillan eBooks and the loans of Macmillan eBooks through Kindle on OverDrive. Amazon saw a pattern of growth in library “reads” as a proportion of total reads. Amazon theorized that a “lack of friction” in eLending was cannibalizing eBook sales and transforming former book buyers into borrowers. Macmillan took the information and implemented the Tor embargo of 2018 and then the embargo on all imprints in 2019 in order to increase friction. Libraries resisted in various ways and Macmillan dropped the embargo in March 2020. Because discussions about the embargo and its cause were complex and contentious, I begin here with some basic premises and facts about libraries and publishing before addressing specific concerns.

Premises

Authors deserve to be compensated fairly for their work (as do editors, illustrators, book cover designers, eBook file formatters, and everyone who contributes to a vibrant culture of reading).

Libraries have a mandate to offer a wide range of materials to their residents and for that reason support all authors who contribute to a broad, rich culture of reading. Libraries, however, are not complicit in or responsible for poor author compensation. Publishers are responsible for the compensation of their authors.

Libraries have an ethical obligation to create equitable access to a range of enriching and informative material for their residents. Publishers, as for-profit corporations, have an obligation to generate revenue for their shareholders. Publishers currently do not incur net financial loss from selling eBooks to libraries, nor should libraries expect them to do so.

To sum the two premises above, there is no moral imperative between libraries and publishers: libraries are not obliged to pay more for books in order to support authors and publishers are not obliged to make less on books in order to support libraries.

The narrative proposing that eLending is hurting authors is somewhat misleading in its attempt to humanize what is fundamentally a disagreement over fair pricing between government entities and billion-dollar corporations. Libraries could make a similar argument that if only publishers would lower their prices, libraries would be able to pay their staff more adequately.

Facts

Libraries spent approximately \$1.2 billion dollars on materials in [2018](#), approximately 15% of the trade publications industry’s annual sales totaling [\\$7.9 billion](#).

Authors and publishers make more money per unit from eBooks than they do from print books, because print costs more to create. This is true both for retail sales and library sales.

Authors and publishers make more money with eLending than without it. (If they didn't, they wouldn't enable eLending.)

With standard contracts from the Big Five authors, author royalties are a percentage of publisher revenue. With eBooks, the standard contract ensures that authors receive 25% of the revenue from a sale after the distributor discount. Publishers get the other 75%. Therefore, any effort to "help" authors helps their publishers three times more.

All of the Big Five publishers are parts of international mega-corporations.

Publisher	Owning corporation
Hachette	Lagardère Group
HarperCollins	News Corp
Macmillan	Holtzbrinck Publishing Group
Penguin Random House	Bertelsmann
Simon & Schuster	ViacomCBS

Publisher concern: eLending "cannibalizes" author income

Amazon (which tracks both eBook sales and Kindle library loans for traditional publishers) noted that eBook "reads" from libraries were a growing percentage of total reads. Macmillan reported in July 2019 that library reads were [45% of total](#).

The "revenue per read" on an eBook purchased by an individual at retail is higher than the "revenue per read" on an eBook purchased by a library, so if library reads represent a growing number of total reads, that translates into a gradual shrinking of eBook revenue.

For example, let us propose that an ebook from Macmillan costs a reader \$15. The publisher receives 70% of the revenue, for a revenue per read of \$10.50. The library can purchase the same eBook for \$60. The publisher receives 50% of the revenue and, according to OverDrive, the eBook will circulate an average of 12 times. Therefore, the revenue per read on the library eBook is \$2.50.

	Retail	Library
Price	\$15.00	\$60.00
Publisher percentage	70%	50%
Publisher revenue	\$10.50	\$30.00
Author revenue (25%)	\$2.63	\$7.50
Reads	1	12
Publisher revenue per read	\$10.50	\$2.50
Author revenue per read	\$2.63	\$0.63

Amazon charged that over time, the number of library reads was a growing percentage of total reads, leading to diminishing total revenue.

1000 books	Year 1	Year 5
% of library reads	25%	50%
% of retail reads	75%	50%
Revenue from libraries	\$625.00	\$1,250.00
Revenue from retail	\$7,875.00	\$5,250.00
Total	\$8,500.00	\$6,500.00

Libraries do not dispute that eLending has grown significantly since 2012 when [Pew Research](#) reported that most library users were unaware that they could borrow eBooks. However, libraries do dispute Amazon and Macmillan’s explanation for the growth of eLending: that a “lack of friction” is fundamentally changing book buyer behavior and turning them into book borrowers. We reject the supposition for three reasons:

- No data has been offered to support the claim beyond anecdotes.
- The “lack of friction” argument doesn’t make sense. Both publishers and libraries understand that a certain amount of “friction” in borrowing drives eBook sales. For example, if I want to read a print copy of a best seller on my vacation next week, I am likely to buy it, because I know it is popular and will be unavailable from my library for several months. This is also true for eBooks, which are almost exclusively sold under sequential licenses. There is nothing about eLending that makes it easier for me to borrow an ebook than to buy it.
- The supposition assumes that the growth of eLending is due to former book buyers becoming borrowers. In fact, most of the growth in eLending is due to print book borrowers becoming eBook borrowers, a condition that is favorable to publishers because they make far more from a library eBook read than a library print book read.

We theorize that eLending is growing because it has yet to reach the equilibrium we have long reached with print books. Simply stated, for any given book, there are more people who want to read it than who can buy it, which means there is some ratio of borrowers to buyers. If we measure the number of unit sales in the trade publication industry and compare it to the number of books checked out in libraries, we find that the ratio for print materials is approximately 2:1. In other words, the “normal” percentage of library reads to retail reads for print materials is probably 67%. It seems reasonable to expect that eLending will grow until it reaches approximately that same percentage. In other words, the current ratio of library eBook reads to retail reads is low, and the growth we see is normal and to be expected. It is not the result of cannibalization.

Publisher concern: Perpetual licenses hurt authors

As stated in the model analysis, we agree that perpetual licenses are unfair to publishers if sold at retail price and if the edition is truly perpetually available.

However, when we look at the purchase data, we see that libraries began paying what we believe to be a fair price for perpetual licenses in 2013. At present, none of the Big Five publishers offer eBooks on a perpetual license at all, and those that still offer a perpetual license on eAudiobooks charge approximately three times the retail price.

Also, perpetual licenses are not always perpetual. We process hundreds of titles quarterly for which we paid a perpetual license but cannot use because the publisher no longer has rights, has decided to refuse rights (*Charlotte's Web* being the most notable example) or has issued a new edition and disabled the use of the old one, forcing a repurchase.

That said, many libraries were creating collections between 2000 – 2010 and were able to purchase perpetual licenses at retail prices on books that are still circulating, an imbalance that favored libraries. Now that the imbalance favors publishers, wherein we pay a multiple of retail price on eBooks that all expire, perhaps publishers and libraries can agree to an approach going forward approximating the “middle ground” we found between 2013 – 2018.

Reciprocal borrowing hurts publishers and authors

We are willing to acknowledge this as a possibility because we do not currently know the extent of reciprocal borrowing of eBooks in libraries. The charge specifically is that reciprocal borrowing increases the number of books to which a patron has access at a time, increasing the chances that a book they would otherwise buy will be immediately available to them from one of their libraries, and reducing the wait time friction that drives some book purchases.

For example, I do not live in the city of Seattle, but I do have a Seattle Public Library card that I sometimes use to read eBooks. I have access to SPL's eBook collection because it has a reciprocal borrowing agreement with my local library. If I go to an SPL branch and show them my local library card, they will give me an SPL account, allowing me to borrow both physical items and eBooks.

We theorize that reciprocal eBook borrowing is not widely enabled by libraries in general, and for those who do enable it, not widely used by its patrons.

We believe it is not widely enabled by libraries because of the cost. Libraries that struggle to fund eLending are unlikely to be willing to pay for eBooks for patrons who are not their constituents.

We also believe that it is not widely used by patrons because reciprocal borrowing is a fundamentally a service that libraries offer to other libraries for special case scenarios, not something we promote to patrons.

If publishers are interested in knowing more about this, it would be relatively simple to survey libraries to understand the extent of reciprocal borrowing.

[Detailed analysis of price and license restriction history: eBooks](#)

eBOOKS	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Average
--------	------	------	------	------	------	------	------	------	------	------	---------

Hachette	\$13.30	\$13.57	\$38.14	\$9.49	\$16.66	\$67.38	\$56.47	\$67.85	\$61.64	\$59.86	\$40.44
MA: 24 mo									\$62.76	\$59.86	\$61.31
MA: 26 ckos				\$9.49	\$9.49	\$8.99	\$12.21	\$11.74	\$14.24		\$11.03
One copy/One user	\$13.30	\$13.57	\$38.14		\$21.44	\$68.57	\$62.25	\$71.86	\$67.69		\$44.60
Harlequin	\$7.41	\$8.37	\$7.77	\$7.57	\$9.06	\$8.45	\$9.24	\$9.18	\$9.80	\$12.84	\$8.97
MA: 26 ckos					\$8.31	\$8.45	\$9.24	\$9.18	\$9.80	\$12.84	\$9.63
One copy/One user	\$7.41	\$8.37	\$7.77	\$7.57	\$18.49						\$9.92
HarperCollins	\$14.30	\$21.33	\$9.93	\$12.84	\$11.11	\$11.68	\$12.99	\$12.95	\$13.01	\$12.23	\$13.24
MA: 26 ckos			\$9.81	\$12.74	\$11.11	\$11.68	\$12.99	\$12.95	\$13.01	\$12.23	\$12.06
One copy/One user	\$14.30	\$21.33	\$17.38	\$18.21							\$17.81
Macmillan					\$46.39	\$45.45	\$47.00	\$46.04	\$43.64	\$47.56	\$46.01
MA: 24 mo									\$42.86	\$47.56	\$45.21
MA: Earlier 52 ckos/24 mo					\$46.39	\$45.45	\$47.00	\$46.04	\$43.72		\$45.72
Penguin	\$13.70	\$14.32	\$12.75	\$13.22	\$14.26	\$34.56	\$42.63	\$54.44	\$50.62	\$38.68	\$28.92
MA: 12 mo			\$12.88	\$13.22	\$14.24					\$25.00	\$16.33
MA: 24 mo								\$62.81	\$50.62	\$55.00	\$56.14
MA: Earlier 36 ckos/24 mo								\$26.55			\$26.55
One copy/One user	\$13.70	\$14.32	\$7.49		\$28.74	\$34.56	\$42.63	\$53.18			\$27.80
Random House	\$16.70	\$28.13	\$35.25	\$43.85	\$50.81	\$53.23	\$53.63	\$51.96	\$45.12	\$36.56	\$41.52
MA: 12 mo										\$26.39	\$26.39
MA: 24 mo								\$47.78	\$53.07	\$52.24	\$51.03
MA: Earlier 25 ckos/24 mo							\$4.99	\$8.79	\$7.35	\$9.32	\$7.61
MA: Earlier 36 ckos/24 mo									\$12.68		\$12.68
One copy/One user	\$16.70	\$28.13	\$35.25	\$43.85	\$50.81	\$53.23	\$54.18	\$55.13	\$18.82	\$21.48	\$37.76
S&S	\$14.83	\$15.78	\$13.57	\$15.98	\$15.70	\$14.68	\$15.99	\$15.38	\$26.86	\$44.26	\$19.30
MA: 12 mo					\$15.69	\$14.26	\$15.50	\$15.37	\$15.42		\$15.25
MA: 24 mo						\$31.49		\$16.49	\$44.81	\$44.26	\$34.26
MA: 26 ckos			\$25.00								\$25.00
MA: Earlier 52 ckos/24 mo						\$50.00	\$50.00				\$50.00
One copy/One user	\$14.83	\$15.78	\$12.43	\$15.98	\$16.18	\$27.99					\$17.20
Average	\$13.37	\$16.92	\$19.57	\$17.16	\$25.48	\$37.29	\$37.49	\$40.81	\$39.61	\$39.96	\$28.34

Hachette

Hachette began with an OC/OU model and sold eBooks at approximately retail price for 2011 and 2012, but the prices jumped in 2013 and again in 2016 and have remained high. They appear to have experimented with some titles on a MA: 26 cko model between 2014 and 2019, but most of the books were sold under OC/OU. They departed from that model in the summer of 2019, moving to an MA: 24-month model without significantly lowering prices.

Comparison to print:

Hachette showed good will in offering the library-friendly OC/OU model at a retail price in 2011 and 2012. In 2013, they increased prices, offering a range between \$10.00 for a two-year old book from M.C. Beaton to \$84.00 for the latest best sellers from James Patterson, Kate Atkinson, and others. The average was \$38.14, a factor of about 2.5 if we assume a retail eBook price of \$14.99. This was a favorable price for an OC/OU title if we use print for our model.

Prices rose again in 2016, averaging \$67.13 in that year, a factor of 4.5 over retail. Then, in the summer of 2019, Hachette moved to an MA: 24-month license model with prices ranging from \$35.00 - \$65.00. The average my consortium paid in 2020 is \$59.86, a factor of 4 over retail.

Conclusion:

Hachette currently offers as 24-month metered access model. It would be better to change that model to number of checkouts for reasons we discuss above.

At present, Hachette is not offering a fair price. The price would be fair for an OC/OU license.

Harlequin/Harper Collins

I include Harlequin with HarperCollins (HC) because the latter acquired Harlequin in 2014. Prior to that date, the two happened to use similar license models. Starting in 2015, they converged on a MA: 26 cko model.

As with Hachette, both began with an OC/OU license at a price approximating retail. HC moved to the MA: 26 cko model in 2013 and has retained it ever since. Harlequin moved to the MA: 26: cko model in 2015. HC appears not to have raised prices at all in the last ten years.

Comparison to print:

HC is to be commended for beginning with prices near retail and not raising them. It also is wise to use metering by checkout rather than metering by time period, since it enables better discoverability of authors who are building their reputations and can truly benefit from being part of a library collection.

However, HC's model is not perfect when compared to our print model, which suggests a retail price with 30- 35 checkouts.

Conclusion:

At present, HC's model is the most favorable of the "Big Five" publishers, although it is still somewhat costlier than print books. Certainly, it is to be commended for keeping prices reasonable.

Macmillan

Macmillan did not begin offering eBooks on eLending platforms until 2015. At that time, it offered the eBooks on an MA license permitting either 52 checkouts or 24 months, whichever condition occurred first, and the prices averaged about three times retail.

Macmillan has made no secret of its opinion that eBooks sold to libraries are damaging to its business and has experimented in 2018 and 2019 with embargoes limiting how quickly libraries can acquire eBooks after their release. The 2019 embargo included the sale of a single copy of each Macmillan title on an OC/OU license at half the price it normal charges libraries. For example, a single copy of Nora Roberts' *The Rise of Magicks* could be purchased on an OC/OU license for \$30.00 in the first 8 weeks after release. Thereafter the price became \$60.00 with an MA: 24-month license.

Macmillan dropped the 2019 embargo in March 2020 and all eBooks now use a MA: 24-month license and cost three to four times retail.

Comparison to print:

Similar to Hachette, the time-limited metering is detrimental and the prices are a factor of three over retail, which does not compare favorably to the print model.

Penguin/Random House

Penguin merged with Random House in 2013 and the two publishers converged their eBook models in 2014. Both began with an OC/OU license at retail-level pricing, but Random House quickly increased the price, averaging a price per copy of \$46.43 between 2014 – 2019. Penguin used an MA model at retail from 2012 – 2014, but then aligned its model with Random House.

The conglomerate PRH announced in 2018 that they would be moving to a 24-month MA model. They stated that they had also reduced prices, but the average prices at my consortium did not change significantly after the new model took place.

In response to the COVID-19 epidemic, PRH also announced in March 2020 that they would be adding a new license model option to the existing 24-month limit: a 12-month license at half price. The option has enabled libraries to purchase more copies of popular books, which allows them to meet more quickly the increased demand for those books due to the pandemic.

For example, my consortium currently has 236 holds on John Grisham's *Camino Winds*, which came out in late April 2020. We cap copies purchased by the consortium at 20 usually, and a book like this always has enough holds to hit the cap. Had we purchased 20 titles at the regular price of \$55, it would have cost \$1100. In fact, we purchased 1 title on the 24-month license so that we continue to have this popular book in the collection next year, and we purchased 21 copies on the 12-month license, spending a total of \$577.50 on *Camino Winds*. Since our circulation between March and April jumped 42% thanks to COVID, this option from PRH enabled us to continue to buy books on a pre-COVID budget without cutting service levels.

Comparison to print:

When Penguin was its own company, it was similar in approach to Hachette, offering Metered Access at a near-retail price point. The Metered Access was a 12-month limit (which would permit approximately 25 checkouts), so like Hachette, libraries ended up paying almost double the cost of print.

Random House, alternately offered an OC/OU model at a factor of about 4 times the price of retail. This is approximately what libraries would like to pay for an OC/OU license if aligning with the theoretical print model.

However, Penguin Random House together now offers metered access at a factor of 3 over retail, which is not favorable.

The flexibility enabled by the temporary 12-month metered access model, offered for COVID-19 relief, is certainly a gesture of goodwill on the part of the publisher, and that precedent of offering multiple models at once may be a good sign for the future.

Conclusion:

Random House offered a product at a reasonable (if slightly high) price for many years. Their move to Metered Access in 2018 was perhaps a step backward. Their temporary addition of a cost-saving 12-month license, however, demonstrates a willingness to experiment and a commitment to positive interactions with libraries, which can only be beneficial.

Simon & Schuster

Simon & Schuster appears to have offered OC/OU licenses at retail prices from 2011 – 2015. Thereafter, it changed to a 12-month MA license at retail price until 2019, and then to a 24-month license at a factor of three over retail price.

Comparison to print

As with Hachette, a metered access license in combination with high prices is not favorable. Libraries would prefer metered access of approximately 30-35 checkout at retail prices, like print, or an OC/OU model at a factor of 4 times the retail price. Offering both would be ideal.

Conclusion:

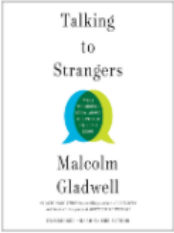
Simon & Schuster retained reasonable license models for many years, but has now taken a step backwards.

Detailed analysis of price and license restriction history: eAudio

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Average
Blackstone	\$43.65	\$47.87	\$46.20	\$43.49	\$52.46	\$47.61	\$50.23	\$51.30	\$54.44	\$50.57	\$48.78
MA: 24 mo									\$65.00		\$65.00
One copy/One user	\$43.65	\$47.87	\$46.20	\$43.49	\$52.46	\$47.61	\$50.23	\$51.30	\$51.19	\$50.57	\$48.46
Hachette Audio	\$21.36	\$27.20	\$47.12	\$34.59	\$45.31	\$45.98	\$39.62	\$47.98	\$45.29	\$62.56	\$41.70
MA: 24 mo									\$45.50	\$62.56	\$54.03
One copy/One user	\$21.36	\$27.20	\$47.12	\$34.59	\$45.31	\$45.98	\$39.62	\$47.98	\$44.99		\$39.35
HarperCollins	\$37.32	\$39.96	\$46.57	\$42.68	\$48.96	\$50.68	\$58.19	\$59.93	\$61.30	\$63.36	\$50.89
One copy/One user	\$37.32	\$39.96	\$46.57	\$42.68	\$48.96	\$50.68	\$58.19	\$59.93	\$61.30	\$63.36	\$50.89
Macmillan	\$56.86	\$52.64	\$56.03	\$56.58	\$52.55	\$51.20	\$57.13	\$51.90	\$55.33	\$53.61	\$54.38
One copy/One user	\$56.86	\$52.64	\$56.03	\$56.58	\$52.55	\$51.20	\$57.13	\$51.90	\$55.33	\$53.61	\$54.38
Penguin Random House	\$65.62	\$70.89	\$68.30	\$65.03	\$74.86	\$70.38	\$72.99	\$75.29	\$77.48	\$48.45	\$68.93
MA: 12 mo										\$38.38	\$38.38
One copy/One user	\$65.62	\$70.89	\$68.30	\$65.03	\$74.86	\$70.38	\$72.99	\$75.29	\$77.48	\$67.55	\$70.84
RBMedia	\$34.73	\$41.97	\$34.45	\$49.89	\$52.81	\$63.55	\$59.95	\$70.51	\$59.28	\$61.12	\$52.83
One copy/One user	\$34.73	\$41.97	\$34.45	\$49.89	\$52.81	\$63.55	\$59.95	\$70.51	\$59.28	\$61.12	\$52.83
Simon & Schuster	\$18.31	\$35.98		\$63.13	\$76.24	\$70.39	\$76.77	\$68.15	\$73.21	\$70.63	\$61.42
MA: 24 mo									\$77.13	\$70.63	\$73.88
One copy/One user	\$18.31	\$35.98		\$63.13	\$76.24	\$70.39	\$76.77	\$68.15	\$71.10		\$60.01
Average	\$35.37	\$40.94	\$46.07	\$48.39	\$54.72	\$54.90	\$56.98	\$58.30	\$58.14	\$60.31	\$51.67

Intro

The eAudio landscape is somewhat more complex than the eBook landscape, where we can slice and dice by the five big publishers. eAudio includes those, plus two more significant contributors: Blackstone Audio and RBMedia. While it is not very clear in OverDrive Marketplace, it seems that each of these two eAudio publishers publish some works under their own banner and also contract with some of the Big Five Publishers to enable eAudiobooks. For example, here is a title in OverDrive Marketplace, which has Blackstone Audio as the Publisher ID, but Hachette Book Group as the publisher. Its license term is Metered Access, like Hachette.




Talking to Strangers
What We Should Know about the People We Don't Know
Unabridged
Malcolm Gladwell
Blackstone Audio, Inc. | Hachette Book Group | Little, Brown & Company
Adult Nonfiction
Psychology, Sociology
Psychology / Social Psychology
Social Science / General
Social Science / Sociology / Social Theory
Language(s): English
On-sale date: 6/30/2019
Street date: 9/10/2019

Unit(s):
\$65.00
 MA: 24 months (one user) \$65.00

[OverDrive MP3](#)
[OverDrive Listen](#)
[Share](#)

2 Reviews

Alternately, this title has Blackstone as both the Publisher ID and the Publisher, and is offered under an OC/OU license.



So You Want to Talk about Race
Unabridged
Ijeoma Oluo, Bahni Turpin
Blackstone Audio, Inc. | Blackstone Publishing
Adult Nonfiction
Politics, Sociology, African American Nonfiction
Political Science / Civil Rights
Social Science / Ethnic Studies / African American Studies
Social Science / Black Studies (Global)
Language(s): English
On-sale date: 8/22/2017
Street date: 1/16/2018

Unit(s):
\$47.95
 OC/OU \$47.95

[OverDrive MP3](#)
[OverDrive Listen](#)
[Share](#)

2 Reviews

As such, it is hard to determine who is responsible for pricing, title by title in some cases, but it is not really necessary to know for the purposes of advocacy.

The measuring stick

If we agree that physical eAudio lending does not unfairly advantage or disadvantage publishers or libraries, then an eAudio license that functions something like physical eAudio lending should work for both parties. The parameters proposed for eAudio are:

- The cost of a single copy will be about the same price as the eAudiobook at retail (not counting retail subscription costs), about \$25 - \$30.
- The number of times it can circulate will be about the same as a physical copy on CD would circulate before wearing out. CDs are more durable than books, so circulate more often. My library evaluates media items for condition (CDs & DVDs) after about 75 circulations. The average circulation on Audio CDs at the time of withdrawal for any reason (including the need to make room on the shelves) is 36. If we split the difference between 36 and 75 in order to estimate the useful life of an Audiobook on CD, we get 58 circs.
- Libraries will have to pay more, over and above these base terms, in order to take advantage of the new capabilities enabled by eFormats:

- Perpetual licenses: an eAudiobook copy theoretically can exist forever, unlike an Audiobook on CD, which wear out after a certain number of circulations. A fair cost for a perpetual license will align with the average number of times a library would have repurchased a single copy of a popular book. The eAudio titles in my consortium’s collection have circulated an average of 183 times. If we divide this by 58 circs per purchase, we get 3.15. So, we propose that the cost of a perpetual use license be approximately 3 times a retail price of \$25-\$30, or \$75-\$90.
- Concurrent use: unlike physical media, a single eAudiobook copy can theoretically serve unlimited numbers of readers at the same time. Because library wait time is one friction point that can drive retail sales, it is reasonable to expect libraries to make up for lost retail sales difference if enabling concurrent use.
- Ideally, all titles will include all three options: a metered access license, a perpetual license, and packages of concurrent use checkouts as long as all options are priced such that neither publishers nor libraries are disadvantaged.

From 2011 to 2020, the average unit price of an eAudiobook has increased by 71%, which is significant, although not as bad as the 200% increase we see in eBooks. From 2011 to 2018, all eAudiobooks were offered under an OC/OU license. In 2019, three of the publishers (Blackstone, Hachette, and Simon & Schuster) moved to a metered access license that expires after 24 months. In 2020, in response to the pandemic, Penguin Random House offered a choice of models, with an OC/OU copy or a 12-month metered access copy for half price. (This choice has been extended through March 31, 2021, but may not be offered after that.)

The publishers who offer OC/OU licenses are HarperCollins, Macmillan, Penguin Random House, and RBMedia with average unit prices in 2020 of \$63.36, \$53.61, \$67.55, and \$61.12 respectively. Since we believe a fair price of an OC/OU license starts at \$75, all of these publishers currently offer favorable terms to libraries – these books are bargains. The titles that Blackstone offers under an OC/OU license are likewise favorable with an average unit price of \$50.57.

The outliers are Hachette and Simon & Schuster who offer a 24-month Metered Access license with an average unit price of \$62.56 and \$70.63 respectively. The titles that Blackstone offers under a 24-mo MA license (which appear to be all from Hachette) likewise are priced very unfavorably, with an average of \$65.00.

For consideration: for most of the publishers, the current eAudio license models offered to libraries are very favorable, much more so than the licenses the same publishers are offering on eBooks. We may wish to work with HarperCollins, Macmillan, and Penguin Random House on a better balance. Currently eBooks heavily favor the publisher, while eAudio from these publishers heavily favors the library. Perhaps better eBook terms for libraries would be worth eAudio terms that are more beneficial to the publishers.

[Details per publisher](#)

Blackstone

Note: my consortium has been boycotting most Blackstone titles since July 2019 because of their decision to embargo some of their titles, the average unit prices are based on few titles and may be different at other libraries.

The median price on a Blackstone title in 2011 was \$43.35 for an OC/OU license. In 2019, they began to offer some of their titles with on a 24-mo MA model at approximately \$65.00. It appears that these licenses may all be associated with eAudiobooks from Hachette, which perhaps contracts with Blackstone to create and publish.

They still also offered OC/OU licenses on other titles, with an average unit price in 2020 of \$50.57, which is very favorable to libraries.

Hachette

The Hachette eAudiobooks that my consortium purchased in 2011 had an average unit price of \$21.36. Hachette moved to a 24-month metered access model in 2019, and the unit price in 2020 was \$62.56. We propose that a fair price for metered access is retail, or \$25-30, so Hachette has effectively doubled that and indeed is now charging for metered access the same price they used to charge for OC/OU. We also propose that a metered access license at a retail price would circulate approximately 58 times before expiration. A 24-month metered access license will circulate a max of about 45 times.

In sum, by migrating from an OC/OU license at \$47.98 in 2018 to a metered access license at \$62.56 in 2020, Hachette has moved from terms that were very favorable to libraries to terms that are very unfavorable.

HarperCollins

The Hachette eAudiobooks that my consortium purchased in 2011 had an average unit price of \$37.32. In 2020, we pay \$63.36 on average, an increase of about 70%. However, the current price for an OC/OU model is well under the price we consider fair, and so very favorable to libraries. HarperCollins offers the most library-friendly eBook terms of the Big Five.

Macmillan

Macmillan's eAudiobook prices have remained steady since 2011 when we paid an average price of \$56.86. Since the average price in 2020 was \$53.51, we have actually seen prices decrease by 6%. An OC/OU license offered at about \$55.00 is very favorable to libraries, which seems odd since Macmillan is eBook prices and licenses are unfavorable and Macmillan has a history of doubt about eLending. It may be that publishers are less concerned about cannibalization of eAudio because the retail model is different from eBooks, requiring subscriptions rather than buying piecemeal. Or, it may be that the current favorable landscape is left over from a time when eAudio was only a small part of the already small eLending category. In the last 5-7 years, eAudio has grown significantly, and it behooves both publishers and libraries to pay close attention to the readers who are choosing eAudio in growing numbers.

Penguin Random House

Penguin Random House eAudio prices have not gone up significantly in the years since 2011. My consortium purchased them at that time for an average price of \$65.62 while the average price in 2020

for the OC/OU license was \$67.55. As with other publishers still offering the OC/OU model, this price is favorable, being well under the \$75 that we think is fair for eAudio on perpetual license.

In March 2020, PRH also responded to the increase in eLending due to COVID-19 by offering a 12-month metered access license on eAudio for half the price of the OC/OU license, averaging \$38.38. While this price point is somewhat high in comparison to the \$25-30 we propose as a fair price for metered access, the fact that selectors have options is very beneficial. Libraries can purchase the perpetual license for books we know we will want in the collection for years to come, such as an entry in a popular series. And the lower price on metered access enables us to buy more new and midlist authors and broaden our collection.

Also, the higher price on the metered access balances against the favorable price on the OC/OU copy. In sum, Penguin Random House eAudio terms are favorable to libraries, both now with the COVID-19 pricing and previously.

RBMedia

RBMedia (a.k.a. Recorded Books, Inc.) offers eAudio on an OC/OU license. When my consortium began purchasing in 2011, the average unit price was \$34.73 and has since gone up to \$61.12, an increase of 76%. However, the unit price remains favorable compared to the proposed price for perpetual use of \$75.

Simon & Schuster

Simon & Schuster began by offering OC/OU licenses, which cost my consortium an average of \$18.31 per unit in 2011. In 2018, they moved to a 24-month metered access license, which now costs an average of \$70.53. Before moving to metered access, the OC/OU license was an average of \$68.15, which is reasonable in comparison to the proposed price starting at \$75. However, like Hachette, Simon & Schuster have moved from offering favorable terms to offering unfavorable terms. In fact, because their average prices are higher than Hachette, Simon & Schuster is the most unfavorable of the large publishers when it comes to eAudio licenses.

Data

I pulled a set of eAudio purchase order detail reports spanning the last ten years from OverDrive Insights. I included at least one purchase order from each month in the time period and the final set totaled 4,100 purchases of titles. This is a fraction of the total number of purchases for the consortium, so the average numbers are estimates. It is not currently possible to pull all of the data from Marketplace.