Continuities

The Debate over Short-Term Loan Pricing

By C. Derrrik Hiatt

In May 2014, a letter from the Boston Library Consortium was published in the Chronicle of Higher Education.¹ The letter brought attention to the fact that a handful of publishers had recently announced an increase in their prices for the short-term loan of e-books, most of them more than doubling the cost of a one-day short-term loan. Although the publishers’ price increases had been announced previously by ProQuest, the letter in the Chronicle seemed to catch many by surprise. Some passionate discussion followed on the Chronicle website and in e-mail discussion lists.

About a month later, at the 2014 American Library Association Annual Conference, ProQuest hosted a discussion session for librarians and publishers to have a face-to-face dialogue about demand-driven acquisition (DDA). Approximately 50 people attended, including mostly librarians, but also a number of publisher representatives, and several e-book specialists from ProQuest. The discussion, which remained civil throughout, avoided the topic of prices, focusing instead on librarians explaining how their respective institutions are using DDA and short-term loans, and publishers explaining some of the challenges they face in supporting this acquisition model.

Unfortunately (but not surprisingly), no clear answers emerged from the discussion. For my part, I cannot understand how publishers can talk about declining revenue when it was apparent at the meeting that libraries are actually spending more with DDA. I was also disappointed that some of the publisher representatives seemed opposed to changing their budgeting model. That complaint fell on the frustrated ears of librarians who have already had to change their own budgeting practices in order to accommodate DDA. But one final suggestion seemed to be well-received by all parties; Kari Paulson, ProQuest’s Vice President and General Manager of E-books, encouraged everyone to study the data to make informed decisions.

Difference between DDA and Short-Term Loans

Demand-driven acquisition (also called patron-driven acquisition) has been around since at least the late 1990s, but seems to have gained steam in just the past few years.² In June 2014, the National Information Standards Organization (NISO) released a recommended practice for demand-driven acquisition of monographs, indicating that the acquisition model has increased in prominence.³ Specifically at issue in the letter from the Boston Library Consortium (BLC) is publishers’ pricing for short-term loans. Short-term loans (or STLS) are a component of DDA. They allow libraries to pay for a user’s limited-time access to an e-book. A typical STL might cover a single user session or a 24-hour lease or sometimes up to a week of access. Usually after a preset number of STLS of a given e-book, that e-book is automatically purchased at the full list price.

The debate at hand centers on what is a fair price to charge for this type of limited use. Initially, the average cost of a one-day STL hovered around 10 to 15 percent of the book’s list price, though the actual percentages have always varied widely by publisher. Among the handful of publishers whose price increases prompted the letter from the BLC, most had raised their price for a one-day loan to 35 percent of list price. I thus have some sympathy with the BLC. I can understand how a sudden doubling of prices would feel like price-gouging and could easily generate an emotional reaction.

Growing Pains

A colleague of mine, also present at the ProQuest-hosted discussion, observed that librarians have accepted DDA as a stable acquisition model, but publishers still seem to consider it experimental. The main theme that seemed to emerge from the publisher side of the discussion was a difficulty in balancing sales of newly-published front list with older backlist titles. The business of book publishing has historically relied on front list sales, and publishers have based their budget models on projections of their books’ likely sales within the first year or two of publication. DDA turns that model on its head, because it means libraries can simply provide access to front list books without actually purchasing them unless or until usage triggers a purchase. By exposing the
publishers’ unpurchased backlist titles via the library catalog. DDA increases the likelihood of older books actually generating some revenue.

As stated before, it is difficult to understand how publishers could be seeing a decline in revenue, given that DDA has not decreased library spending. At my institution, DDA has led to an increase in monograph spending. If we are still spending the money, then why do some publishers claim that revenue is declining? I do find it very plausible that revenue on front list titles is declining. It seems possible that when a publisher blames STL for falling revenue, the real problem is that they have not yet figured out how to balance the lower front list revenue and higher backlist revenue. STLs also reduce the amount of money exchanged per unit transaction, so the DDA model may simply be too new for the lower average transaction amount to have caught up with the full-price purchase model to which publishers are accustomed. A publisher representative at the ProQuest-hosted discussion said he expected it will take years for publishers to understand this new revenue pattern.

Librarians who have implemented a DDA program know about budget problems. We have had to change budget projections and scrambled when projections were wrong. We have had to form new procedures. We have had to study reading habits to try to learn how our patrons are using this new medium. If a publisher’s complaint about the changing business model is meant as a way of asking for patience, we should be sympathetic, because we have been there. But I fear some publishers use this complaint as an attempt to resist change. Yes, it is new. Yes, it is painful. But it can be done.

What Is Fair?

For years, publishers have profited from libraries’ speculative purchasing of books. Libraries have paid full price for print books; some get used frequently, others not at all. Now the technology exists to allow libraries to purchase only those books that are actually used. It seems that some publishers only now understand the implications and are scrambling for a way to cling to the past. In a Chronicle article following up on the BLC letter, writer Avi Wolfman-Arent quotes a publisher representative as saying that “A monograph could get used nine times, and a publisher still wouldn’t get list price. Nine times? That’s huge for a monograph.” Nine uses would naturally seem “huge” to a publisher accustomed to receiving full list price for books that never get used. But according to NISO’s recommended practice for DDA, most libraries using DDA ultimately use it to purchase books. So in the publisher’s example, if a purchase is triggered on the tenth use, the library will have paid 10 percent of list price for each STL, plus the full price on the tenth use. Thus the publisher would have received 190 percent of list price, or more (depending on the publisher’s STL pricing).

This begs the question of what is fair compensation for short-term use of an e-book. Should a library pay full price for a book that will be read only once? What percent of a book’s list price should a library pay for one person to read that book for 10-15 minutes? Should short-term loan pricing be based on the amount of the book actually read or viewed? If a reader scrolls through 10 percent of a book, should the library pay 10 percent of the list price? What if the reader needs only the last chapter, but has to scroll through the entire book to get there? Should all different types of use of an e-book be counted equally? Of course if the answer were simple, we would have found it by now.

Speak Up

In conversations about the BLC letter, I have heard both positive and negative views—verbal applause for BLC taking a stand, criticism for their being so public about it. Regardless of what you think of their approach, there is a valuable lesson here. Speak up. Take part in the discussion and let your institution’s voice be heard.

The NISO recommended practice for DDA states that “libraries, publishers, and aggregators must be committed to working together to establish long-term sustainable models that highlight mutual benefits.” The problem we currently face is that no one seems to know what sustainable DDA looks like. And what is sustainable for a library may not be sustainable for a publisher. An adversarial approach seems unlikely find the answer.

Even if you decide not to participate in the broader discussion, each library should communicate their needs to their content providers. Have a real discussion with your publisher representatives. Historically, libraries have been a passive player in the academic book market, collecting what has been independently produced. But in this era, content providers (publishers and vendors alike) are struggling with changes as much as libraries are.

What is more, most content providers seem willing to listen to libraries as customers. Talk to your providers about how your patrons use e-books and how your library uses DDA. If you think

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they are charging too much for a short-
term loan, explain why. The publishers need
to know their customers’ perspec-
tive so that they know how to build and
shape their own DDA programs.

Gather Data (“Eat Less, Exercise More”)

At the 2014 conference of the
North American Serials Interest
Group (NASIG), the closing “Vision
Session” (keynote address) was given
by Jenica Rogers, Director of Libraries
at the State University of New York at
Potsdam, noted for pulling her library
out of the American Chemical Society’s
journal package two years ago. In her
address on being prepared to make
difficult decisions, Rogers compared
gathering data to the advice “Eat less,
exercise more” — we hear it a lot, we
often just ignore it, but it really is good
for us and will make a difference.

Rogers added that data can shout when
our words can only whisper.

Maybe because we are librarians, it
seems we do a lot of loud whispering,
as if repeatedly making the same unsup-
sported assertions will eventually get our
point across. Instead, we need to quietly
present the data, and let it do the shouting
for us. Gather what data you can to tell
the story of how e-books are used at your
library. How many of your e-books are
getting used? How many minutes is the
average book used? And so on.

At ALA I had a brief discussion with
an e-book publisher concerning their
STL prices. Because I had gathered the
data beforehand, I was able to tell that
publisher that although their e-books
accounted for 16 percent of our overall
e-book use, they accounted for 21
percent of our overall spend, and their
new pricing would have made it 35
percent of our overall spend. That bit
of data got my point across much better
than if I had simply said, “Your new
STL price seems inordinately high.”

Be prepared with data when you talk
with publisher representatives. Know
how much you spend on their products,
and what the value of those products
is to you. Corollary to that, become
familiar with what data your e-book
DDA vendor provides. If something you
need is not provided in the administrator
module, ask for it. Even if the vendor is
unable to provide the needed data at that
time, they will at least better understand
what information their customers need.

Some librarians may be tempted not
to get involved and to wait for the market
to take shape on its own. This approach
(or lack of approach) will likely lead
to customer dissatisfaction. Talk to your
publisher sales representatives and tell
them about your library’s needs. Explain
how you are using DDA. Let them know
what price point you think is fair and
why. Gather your data and use it; let the
evidence speak. Get involved and help
shape the e-book market into what you
think it should look like.

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