Business Models for E-Book Lending in Libraries

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a global crisis in the publishing sector

-4.6% in 2011

Print book sales decline across all markets

Source: Nielsen 2011
the e-publishing context

**eBook Market Penetration**

(%; 2011E)

<table>
<thead>
<tr>
<th>Drivers as of 2011</th>
<th>USA</th>
<th>Brazil</th>
<th>Australia</th>
<th>Japan</th>
<th>China</th>
<th>UK</th>
<th>Germany</th>
<th>France</th>
<th>Italy</th>
<th>Spain</th>
</tr>
</thead>
<tbody>
<tr>
<td>Availability of titles in local language</td>
<td>2,700,000</td>
<td>8,000</td>
<td>400,000</td>
<td>60,000</td>
<td>270,000</td>
<td>400,000</td>
<td>80,000</td>
<td>60,000</td>
<td>15,000</td>
<td>15,000</td>
</tr>
<tr>
<td>Tablet Penetration (mtns. %)</td>
<td>40%</td>
<td>&lt;0.5%</td>
<td>4%</td>
<td>1.6%</td>
<td>0.5%</td>
<td>4.4%</td>
<td>3.2%</td>
<td>2.9%</td>
<td>1.2%</td>
<td>1.8%</td>
</tr>
<tr>
<td>eReader Penetration (mtns. %)</td>
<td>40%</td>
<td>n.a.</td>
<td>n.a</td>
<td>&lt;0.1%</td>
<td>0.6%</td>
<td>4.9%</td>
<td>0.6%</td>
<td>0.2%</td>
<td>0.26%</td>
<td>0.8%</td>
</tr>
</tbody>
</table>

Source: A.T. Kearney 2012
### The Italian Book Market 2009-2011

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
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</thead>
<tbody>
<tr>
<td>Libreria</td>
<td>1,068,000,000</td>
<td>1,095,000,000</td>
<td>1,061,000,000</td>
</tr>
<tr>
<td>Gdo</td>
<td>261,000,000</td>
<td>269,000,000</td>
<td>220,800,000</td>
</tr>
<tr>
<td>Edicola*</td>
<td>19,500,000</td>
<td>20,000,000</td>
<td>18,000,000</td>
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<tr>
<td>Altre forme di vendita al dettaglio**</td>
<td>21,900,000</td>
<td>21,000,000</td>
<td>21,000,000</td>
</tr>
<tr>
<td>Librerie on line e vendite tramite Internet</td>
<td>101,200,000</td>
<td>126,000,000</td>
<td>144,000,000</td>
</tr>
<tr>
<td>E-book (stima)</td>
<td>1,068,000</td>
<td>1,500,000</td>
<td>12,600,000</td>
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<tr>
<td><strong>Totale</strong></td>
<td>1,472,668,000</td>
<td>1,534,000,000</td>
<td>1,477,400,000</td>
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<tr>
<td>Libri scolastici di adozione</td>
<td>667,000,000</td>
<td>648,000,000</td>
<td>649,244,000</td>
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<tr>
<td>Libri venduti in bookshop museali e mostre</td>
<td>23,580,000</td>
<td>25,000,000</td>
<td>20,000,000</td>
</tr>
<tr>
<td><strong>Totale</strong></td>
<td>2,163,248,000</td>
<td>2,207,500,000</td>
<td>2,146,644,000</td>
</tr>
<tr>
<td>Rateale</td>
<td>213,400,000</td>
<td>181,000,000</td>
<td>168,000,000</td>
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<tr>
<td>Vendite per corrispondenza</td>
<td>120,000,000</td>
<td>115,000,000</td>
<td>105,000,000</td>
</tr>
<tr>
<td>Book club</td>
<td>75,000,000</td>
<td>76,000,000</td>
<td>70,000,000</td>
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<tr>
<td>Vendite dirette a biblioteche (b2b)</td>
<td>45,000,000</td>
<td>41,000,000</td>
<td>44,000,000</td>
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<tr>
<td>Export di libri italiani all'estero</td>
<td>42,000,000</td>
<td>41,800,000</td>
<td>42,000,000</td>
</tr>
<tr>
<td><strong>Totale</strong></td>
<td>495,400,000</td>
<td>456,800,000</td>
<td>429,000,000</td>
</tr>
<tr>
<td>Collezionabili: fascicoli in edicola</td>
<td>161,100,000</td>
<td>152,950,000</td>
<td>125,419,000</td>
</tr>
<tr>
<td>Editoria elettronica (cd-rom, Dvd rom)**</td>
<td>264,480,000</td>
<td>214,229,000</td>
<td>182,523,000</td>
</tr>
<tr>
<td>Editoria elettronica: banche dati e servizi Internet</td>
<td>97,810,000</td>
<td>125,600,000</td>
<td>150,700,000</td>
</tr>
<tr>
<td>Libri usati a metà prezzo</td>
<td>95,000,000</td>
<td>110,000,000</td>
<td>130,350,000</td>
</tr>
<tr>
<td>Non book</td>
<td>50,500,000</td>
<td>64,200,000</td>
<td>76,077,000</td>
</tr>
<tr>
<td>Ricavi e vendite (b2b)</td>
<td>80,000,000</td>
<td>76,500,000</td>
<td>69,000,000</td>
</tr>
<tr>
<td><strong>Totale</strong></td>
<td>748,890,000</td>
<td>743,479,000</td>
<td>734,069,000</td>
</tr>
<tr>
<td><strong>Totale</strong></td>
<td>3,407,538,000</td>
<td>3,470,779,000</td>
<td>3,309,713,000</td>
</tr>
</tbody>
</table>

Source: AIE 2012
e-books in US Libraries...

Source: Library Journal 2012
Library Journal's Survey 2012

- 90% of Public Libraries offer e-books, 35% of those that don't are planning to offer them

- average circulation has dramatically increased in the last 3 years (5,000/2009, 11,000/2010, 44,000/2011)

- average dimension of e-book collections increased from 1,500 (2010), 4,350 (2011) to 10,000 (2012)

- The most active age group accessing library econtent is the 35 to 44 range, followed closely by 45 to 54.
the e-book industry structure in Italy
the e-book distribution in the italian public libraries

Digital Distributors

• Edigita, Bookrepublic, Casalini Libri, Mondadori, Simplicissimus

Library Platforms

• MLOL (Edigita, Casalini, Bookrepublic)
• DM (Edigita)
• Overdrive (...)

they have no native front-end, third-party aggregators are essential
MLOL in Italy

MLOL Network

- 2,300 libraries in 12 Regions
- 3 Foreign Countries (CH, SL, JP)
mlol as a platform

- aggregator
- digital asset management
- open access and commercial digital collections
- a tool for library co-operation
- digital distribution of commercial content
- interoperability tool (API)
- open to ALL publishers/distributors
the goal

MLOL goal is to aggregate the largest possible collection of digital contents (ebooks, newspapers, audiobooks, movies, music, learning objects, etc.) that may be of interest for the public library target. MLOL system includes:

- unified resource management system (including detailed usage statistics)
- a single-sign-on system for patrons
- a unified help desk service
- a unified searching/browsing interface
- automatic device profiling (the collection is adapted to the specific devices patrons are using)
- personalized web portals for participating institutions
access model

• Users accede MLOL remotely 24/7 with a username/password provided by the library.

• Each library has a personalized portal (under the medialibrary.it sub-domain, for example bologna.medialibrary.it) that profiles the specific collection acquired by the libraries in that geographical area and the communication towards their users' community (info pages, news, recommendations, etc.).
MLOL milestones

- **2007**: Analysis/prototype with pioneer library systems in northern Italy
- **2009**: Launch 500 libraries
- **2010**: Aggregation of streaming content on a subscription basis 1,000 libraries
- **2011**: Digital Lending MP3 Download 1,500 libraries
- **2012**: Digital Lending of ebooks with Social DRM, audiobooks streaming + DRM Free 2,500 libraries
- **2013**: New Interface API DILL Web App Movies
digital lending models hosted by MLOL

**one-copy-one-user**
- download
- streaming

**pay-per-view**
- download
- streaming

**subscription**
- download
- streaming

- DRM (ebooks)
- Social DRM (ebooks)
- Free DRM (audiobooks)
- Audiobooks
- DRM (ebooks, movies)
- Social DRM (ebooks)
- Ebooks, Music
- Free DRM (music)
figures about (italian) inprint ebooks on MLOL

- e-books with Adobe DRM (8,759, 43 publishers)
- e-books with Social DRM (2,137, 37 publishers)
- e-books in streaming (4,827, 148 publishers)
one-copy-one-user at ML OL

- archival copy forever (also available for on site access on library premises)
- fee per lending (some distributors share it with publishers)
- maximum number of lendings per copy (60)
- lending interval: 14 days
watermark lending & privacy

- Buying Institution
- Anonymized User Id
- Date
watermark lending & publishers

- watermark lending is compatible with one-copy-one-user, pay-per-view and even subscription models

- fit for small publishers, low circulation titles, essays & academic materials (in public libraries)

- publishers reactions fall in 2 categories: "an open/distinctive positioning for small publishers", "a risky move publishers cannot take with respect to authors/foreign agents that may claim (c) infringement"

- MLOL will continue experimenting watermark lending with more distributors/publishers in 2013
is a "polytheistic" approach usable for libraries & patrons?

- **MLOL Shop**
  - (budget, pick&choose, PDA, DILL)

- **Discovery Portal**
  - (search, recommendations)

- **Help Desk & Social**
  - (email, phone, Facebook, Twitter)

- **Backoffice**
  - (user adm, statistics, configuration, portal cms...)

- **API**
  - (authentication, search widget, full XML)

- **OPAC Integration**
- **Single Sign On**
- **Content "Embedding" in any Web Space**
is digital lending affordable for libraries?

• the perception (from the point of view of libraries) is often that of an expensive service;

• another frequent perception is that of a "paying service" in contrast to the traditional "free lending" associated to paper books

• however an understanding is emerging about the comparison between operation costs of traditional vs. digital lending

• are e-books to be considered an "additional" budget, or are they to be considered a "dynamic" percentage of the overall content investments of libraries? Of course, considering e-books an additional investment means (in a period of budget crisis) no affordability. So paradoxically: e-books are more affordable the more advanced is the policy budget of the library.
cost analysis

\[
P = pvp + (cgi \times n) + (pi \times i)
\]

Application to paper book lending (data from Fondazione per Leggere, Milan):

\[
P = 10 + (3.55 \times 10) + (0.19 \times 3) = 46.70
\]

Average cost of traditional lending is 4.00 to 10.00 Euros (depending on geographical areas)

Application to MLOL:

\[
P = 10 + (0.50 \times 10) = 15.00
\]

Average cost of e-lending (including percentage of title selling price!) is 1.00 Euro.
references

• http://www.slideshare.net/IfBookThen/do-readers-dream-of-electronic-books (AT KEARNEY)

• http://www.slideshare.net/mobile/IfBookThen/2011-international-book-market-overview (NIELSEN)

• http://www.primaonline.it/2012/10/10/110368/rapporto-aie-2012-sullo-stato-dell’editoria-italiana/ (AIE)

• http://www.medialibrary.it/pagine/pagina.aspx?id=27&PortalId=1 (DOCs on MLOL)
