E-Books in Special Libraries: Final Report of the Federal Reserve System Libraries Work Group on E-Books [*]

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October 14, 2010

Mission

Luke Mueller (FRB Philadelphia) led the E-Book Aggregators and Publishers Subgroup, which included members Joyce Hannan (FRB Boston), Christine Le (FRB Philadelphia), Coleen Neary (FRB Richmond), and Ryan Williams (FRB Minneapolis). The members of this group evaluated the e-book market with the goal of discovering any services that might benefit the Federal Reserve System libraries. Within the System, there are 13 economic research libraries, including one in each of 12 Districts throughout the country and one at the Board of Governors in Washington, D.C. These library collections support the Federal Reserve's mission to conduct monetary policy, provide financial services, and regulate the financial system. The e-book work group looked for viable e-book provider business models, notable collections, and generally any e-book services that might make our collections more affordable, usable, and accessible.

The group evaluated 10 e-book aggregators, six retailers, and 23 publishers of economics and business e-books. These entities were evaluated based on several criteria such as the number of titles available, pricing, intended audience, licensing and access, and viewing format and availability through aggregators. The group sought information on how acquisitions, lending, and use might vary from one provider to another, and how e-books can be integrated into current library functions and policies.

Results

Our results show that although the e-book market is still extremely young, it is changing rapidly. More publishers are offering e-books every month, and established publishers are expanding their collections and access options. As a result, the group's evaluations provide only a snapshot of the market's rapid changes.

Publishers are looking toward e-books as a major source of future revenue. Covering initial conversion costs and finding reliable sales channels are the biggest obstacles. According to a recent survey,[1] 75 percent of publishers consider e-books to be of either high or moderate importance for their business strategies and growth. Fifty-three percent of publishers already produce e-books, and 60 percent of those that do not currently publish e-books plan to do so in

[*] The views expressed in this report are those of the author and do not necessarily represent the views of the Federal Reserve Bank of Philadelphia or the Federal Reserve System.

the near future. From these numbers, one can estimate that 80 percent of publishers will be selling e-books within a few years.

The same survey suggests that publishers are not taking sufficient advantage of existing sales channels. However, we saw several publishers bucking this trend. For example, publishers such as Stanford University, University of Chicago, and MIT presses used a combination of online content providers. These publishers made their e-books available through retailers such as Amazon and Apple's iBookstore, as well as through aggregators and sales on their own websites. This multiplicity of options creates confusion because, in some cases, each bookseller has its own terms of use and works with only certain devices. For example, if we want to buy *Fans of the World Unite!: A (Capitalist) Manifesto for Sports Consumers* from the Stanford University Press, where we buy it will have a significant effect on how it can be used. Purchasing it from the publisher for $27.95 (the cost of the paperback edition) or renting it for 14 days for $7 (or 60 days for $14) provides access to an Adobe Digital Editions file via six different devices — including PC, Mac, Nook and Sony e-readers. However, if we want to read the book on a Kindle e-reader, we have to buy it from the Kindle store for $15.37 and can read it only on PC, Mac, or Kindle devices.

Clearly, multiple sales channels allow publishers to appeal to wider audiences with varied reading devices, but we believe that the adoption of standards will have a great impact on e-book sales and availability. Libraries must provide for all of the possible reading devices users might have, and buying the same book from multiple vendors is not feasible. Further, publishers' costs will likely fall if they do not have to produce books in multiple formats.

Most e-book providers do not provide lending options. OverDrive is a notable exception. It has become widely available in public libraries and some academic libraries but generally does not offer the depth of scholarly content Federal Reserve libraries need. Books bought from Barnes & Noble for the Nook e-reader can be lent, but only once, and only for 14 days. This is definitely not a viable lending model for libraries. It is conducive to individuals making book recommendations but still seems intended to encourage sales rather than real sharing. As an indication of the volatility of the market, the future of Barnes & Noble (the world's largest bookstore chain) and its Nook e-reader is currently uncertain, as B&N recently put itself up for sale.

Amazon and Sony allow users to upload e-books for their e-readers on six devices. Since Sony also allows users to read on six devices, this appears to be a potential industry standard. It is unclear whether this will be viable for sharing in libraries as e-book usage continues to grow. So far, retailers do not offer institutional licensing options. They seem focused mostly on individual readers. Some publishers and aggregators do offer institutional licensing for multiple concurrent users.

The exact details of access arrangements and collection strength and size were not always evident, and when these details were available, they were not always dependable. Preliminary tests of collection strength show that even the largest e-book aggregators hold few titles relevant to Federal Reserve library needs. MyiLibrary boasts more than 230,000 titles (and growing), but many of these were released only within the past few years and cover a wide range of subjects and reading levels. MyiLibrary also claims to feature 154 publishers, including Cambridge University Press, Springer, Elsevier, Oxford, and Palgrave MacMillan. However, it seems common for these heavyweight publishers to license only a few of their books through any given aggregator. On some publishers' sites, searching only for e-books is impossible, so we could not glean any exact indication of the size of e-book offerings. Perhaps as the e-books market matures and its growth slows, we will be able to produce more accurate accounts of e-book providers. For now, we have to rely on sales literature that inflates availability and on title counts that are rapidly changing.

Rapid changes are also evident in strategic partnerships and mergers and acquisitions. For example, the editors at Penn Press indicated that academic publishers are forming a consortium that will sell e-books starting in late 2011. The consortium would begin by making about 30,000 current and back titles available for purchase singly or through various traditional library acquisition plans. These university presses have historically been sensitive to the needs of libraries and seem interested in using digital rights management policies that encourage library lending and use. This partnership promises to expand the availability of scholarly e-books and ensure the academic publishers' competitiveness in a market populated by giants like Amazon and Apple. A recent article in the *Chronicle of Higher Education* describes how publishers have had trouble selling e-books to libraries and how academic publishers hope to make e-books more attractive to institutions.[2] In addition to the academic press consortium mentioned above, Project MUSE and JSTOR are also considering e-book services that will rely on present e-journal database structures.

Likewise, in early 2010 Swets Wise e-book services began offering titles from multiple aggregators within one interface. All ordering, title management and usage statistics functions take place in the Swets Wise database. However, libraries must agree to abide by the licensing and access terms of each individual aggregator, which could mean different usage rights for books in the same collection. This might cause some confusion among users or deter libraries from choosing this otherwise promising business model. It is unclear if these types of issues will be ironed out in the near future, but certainly Swets is aware of the problems inherent in dealing with multiple vendors and seeks to overcome them.

In spring 2010, EBSCO bought NetLibrary, one of the largest e-book aggregators for libraries. The implications of this move are unknown but reveal a long-term interest in e-books from established content providers. We are interested to know how e-books could be offered in concert with EBSCO's subscription and resource management tools. This could make e-book acquisition much simpler by employing current workflows and using familiar database software to manage e-books. EBSCO, like Swets, seems eager to refine e-book acquisition processes.

In the meantime, new e-book providers and e-readers are entering the market, each with different strengths and limitations. For the most part, publishers and aggregators are limiting what users can do with digital rights management (DRM) software. This software can prevent users from printing, copying files, or viewing an e-book on more than a specified number of devices. Lending is impossible in most cases, and this software effectively negates any possibility of a used e-book market. DRM software also allows publishers to specify which devices can display their e-books. Early versions of Amazon's Kindle e-reader could display only Kindle e-books, and Kindle e-books could be read only on PCs, Macs, or Kindle e-readers. Now, Amazon is developing software applications to view Kindle books on the iPad, BlackBerry, and other e-reading devices. Consumer demand will likely push the development of technology for broader access, presenting new possibilities for device-agnostic e-book file types and file type-agnostic devices while preserving publishers' digital rights.

While no e-book providers are perfect, some are promising. Taylor & Francis offers access for periods of one day, one week, one month, three months, and six months. Prices vary, but all are less expensive than the list price of the book. This kind of "rental" option might be a viable alternative to interlibrary loan or when ordering books that become outdated quickly. They also offer multiple-book pricing packages that do not require purchasing previously selected subject collections. On the aggregator front, the Swets Wise model promises better collection breadth and depth, and ease of use. This business model could work well with good content and similar licensing terms across multiple sources.

Finally, Google Editions, though not yet available, shows some promise. The service will use the Google Books interface, where public domain titles are currently free, simply showing an option to purchase books still under copyright. It was scheduled for release in the summer of 2010, with about 400,000–600,000 titles (similar to the size of Amazon's Kindle Store) in nonproprietary EPUB file format.[3] This represents just a fraction of the more than 12 million books Google has scanned from national and research libraries all over the world. If even some of these books were released for sale, libraries would have a wealth of quality content from which to choose. For now, Google is tied up in litigation with publishers and authors. If Google Editions is released, it will introduce more competition to the market with its vast holdings and easy searching and access.

Conclusions

Overall, the e-book market is still immature. The greatest problem is that most services do not offer collections that will serve Federal Reserve libraries' needs. Although this might change with time, no service will suffice unless its content is desirable. The second greatest problem is that lending is almost impossible in all cases, unless the library lends devices with preloaded books. However, preloading and erasing content and activating and de-activating credit card accounts are labor intensive, negating much of the ease of purchasing e-books and complicates workflows.

Also, the proliferation of e-book sources makes purchasing and supporting different formats very difficult. We hope that standard formats and licensing terms will soon be widespread. Competition in the market has been promising in this regard, spawning Kindle apps for iPad and Blackberry devices and the growth of the nonproprietary EPUB file type. As of now, purchasing an e-book often locks the buyer into certain reading hardware, which can be expensive and incompatible with other e-books types. To reach wide audiences, publishers and retailers will have to make their e-books viewable on as many formats as possible. It is uncertain how long this will take.

With all these contingent factors weighing against e-books, it is important to consider them in relation to print books. E-books are not always cheaper than print copies. E-books might provide more flexibility in some ways, but we must ask if we are willing to pay the cost, especially if e-books cannot be lent or printed. Similarly, it is unclear how e-books will stand the test of time. If we download a file today, what are the chances it will become corrupt in the next 5 or 10 years? If we purchase access through a company that goes out of business, will we still be able to get what we paid for? These questions cannot be solved until the market and technology have matured.

E-books are gaining popularity now, and we believe electronic reading devices will continue to take over traditional print markets. Digital publishing offers the opportunity to provide more interactive experiences and real-time updates from around the world. New technology offers opportunities for innovation in reading formats, which might alter our conception of the book altogether. We cannot make any solid predictions because the market is changing so rapidly and so many e-reading models exist. This evaluation is just the first step toward becoming aware of the changing publishing market. The future will certainly be exciting, as we see readers set the pace of reading and research for years to come.

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