



Date : 02/06/2006

Analyzing e-book pricing options and models based on FinELib e-book strategy

Paula Mikkonen
The National Library
Helsinki, Finland

Meeting:	154 Acquisition and Collection Development with Serials and Other Continuing Resources (part 1)
Simultaneous Interpretation:	No

WORLD LIBRARY AND INFORMATION CONGRESS: 72ND IFLA GENERAL CONFERENCE AND COUNCIL
20-24 August 2006, Seoul, Korea
<http://www.ifla.org/IV/ifla72/index.htm>

Abstract

E-book licensing has been one of the primary strategic goals of the National Electronic Library of Finland (FinELib consortium) over the past two years. FinELib has negotiated licence agreements for various e-book collections for its member universities, polytechnics, research institutes and public libraries.

The focus of this presentation is to describe and analyse some e-book pricing options and models from the point of view of centralized consortium acquisition.

Publishers and aggregators offer libraries several different pricing options for e-books. E-books can be acquired as single copies or in collections. Pricing can be based on the number of potential users in the organisation, or the resources can be acquired through restricted simultaneous user licences. Pricing may also be based on annual subscriptions or the books may be purchased separately.

User rights and other agreement terms, as well as user statistics, are important when evaluating e-book offers and the value of e-book collections.

FinELib e-book licensing principles

FinELib, the Finnish National Electronic Library, consists of all Finnish universities, polytechnics and public libraries, plus 38 publicly funded research institutes. The consortium's main task is to negotiate licence agreements for electronic resources on a centralized basis for the member organisations.

Key Figures 2005

FinELib Consortium	111 members <ul style="list-style-type: none">• universities• polytechnics• public libraries• 38 research institutes
Consortium turnover	EUR 12.2 million
Licences	267 reference and full-text databases <ul style="list-style-type: none">○ 115 reference databases○ 88 reference works○ about 21,000 e-journals○ about 127,000 e-books<ul style="list-style-type: none">▪ (in 2006, about 280,000 e-books)
Usage	5.2 million downloads

The e-book licensing principles for FinELib were laid down in 2003 by a working group consisting of representatives of the consortium libraries. According to these principles, FinELib will license monographs and reference works. Monographs are acquired mainly in the form of packages deals, either the publisher's complete selection, or a package covering a specific area. The service is acquired for the whole organisation, not for individual departments or courses.

When licensing e-books, the FinELib consortium follows LIBER and ICOLC licensing principles. Moreover, every effort is made to acquire the COUNTER-compliant usage statistics.

In 2004, it was found that there was a need to adapt the existing FinELib licensing policy, particularly with regard to perpetual access rights. Although perpetual access continues to be an extremely important licensing principle, the need for it varies according to the type of resources. As far as e-books are concerned, perpetual access is considered important especially for monographs and for reference books. Some resources, such as manuals, have a fairly short lifecycle, so that perpetual access is not essential.

FinELib E-book Deals

FinELib consortium member libraries decide which e-resources should be taken under negotiation. Through FinELib expert committees, members of the FinELib consortium have taken part in preparing proposals for licensing new e-book resources and activities designed to facilitate the usability of the resources. The expert committees are made up of representatives of consortium members. They are experts in the particular area and resources, and are familiar with users' needs.

E-book resources licensed by FinELib:

E-book services 2006	Collection
Ebrary	Academic Complete, about 30,000 titles
Eighteenth Century Collections Online (ECCO) / Thomson	Nearly 150,000 titles and editions published between 1701 and 1800
Early English Books Online (EEBO)/ ProQuest	About 100,000 titles published between 1473 and 1700. On completion will contain 125,000 works
Ellibs Web Library	FinELib has licenced the Ellibs Web Library lending system. Libraries purchase individual books directly from Ellibs.
Knovel	Interactive Library, about 780 titles
Lecture Notes in Computer Science (LNCS) /Springer	About 4,000 volumes
Safari Tech Books Online	About 3,000 titles

In addition to the e-book services mentioned, the consortium has licensed a number of reference books such as the Oxford English Dictionary, Oxford Reference Online, the Literature Research Centre (Thomson Gale), Grove's Dictionary of Art and Grove's Dictionary of Music and Musicians, plus a number of Finnish reference books.

The member organisations of the consortium have been fairly interested in e-books. So far, over half the members have ordered some e-book resources, with most e-books acquired by universities and polytechnics. Research institutes have been involved in some of the e-book consortia. The Ellibs Web library has offered public libraries some resources they need in Finnish.

E-books account for only a small part of the acquisition costs of all FinELib electronic resources. In 2005, only 3% of the acquisition costs of all FinELib electronic resources (EUR 11.2 million) was used for acquiring e-books.

It is still too early to say anything definite about the use of e-books, especially because there are gaps in the usage statistics obtained from publishers and aggregators. The COUNTER Code of Practice for books and reference works was published in final form in January 2006 and is valid from March 2006 onwards, although publishers and aggregators are not expected to provide COUNTER-compliant statistics until 2007. The following table gives some indication of the spread of user statistics collected by FinELib:

FinELib E-book Usage Statistics 2005

E-book services	Number of sessions	Number of searches	Number of article downloads	Number of pages copied	Number of loans
Ebrary	x	-	-	x	-
EEBO	x	x	-	-	-
Ellibs	-	-	-	-	x
Knovel	x	x	-	-	-
LNCS	-	-	x	-	-
Safari	x	x	-	-	-

E-books compared with e-journals

Libraries have been able to give up some of their subscriptions for printed journals by switching over to e-journal subscriptions. In some cases, e-books can also replace printed books, but in other cases, they merely supplement the printed collections. So far, there is insufficient information on e-book user habits to give up printed books on a large scale.

Perpetual access to e-journals will allow the resources to carry on being used after the subscription agreement has terminated. Perpetual access models for e-books are still in their infancy. There are, for example, perpetual access models in which individual books can be purchased separately for long-term use.

User rights for e-books are more restricted in some e-book resources than for e-journals. Inter-library loans and the right to use e-books in course packs and as part of scientific communication are rights that are not always granted for e-book users. If the aggregator has not agreed on user rights with the publishers, it is not entitled to pass them on under agreements made with the libraries.

By and large, in many cases service providers use the same kind of pricing options for e-book pricing as for e-journals. Described below are some of the e-book acquisition alternatives and pricing options. These descriptions are based merely on FinELib experiences from e-book acquisitions and that is why they do not cover all aspects of e-book pricing, but they may have general interest.

1) Single e-books or e-book collections

E-books can be acquired in the form of single copies or different kinds of collections. There are subject collections available for specific subjects or publisher collections as well as multiple subject collections.

The purchase price of e-books is in many cases based on the price of the printed books. In some cases, e-book price might be even higher than the print version. The price of e-book collections varies depending on the customer organisation and the number of users, for example. The publisher may also specify a flat price for a collection, which is the same irrespective of the number of users.

Acquiring single e-book titles at the consortium level can be difficult if the consortium includes libraries that are very different. Finding joint e-book titles and managing them is labour intensive and has a cost impact that may turn out to be higher than the money saved through joint acquisition.

From the library's perspective, the value of a collection of e-books is defined by how comprehensive and up-to-date the collection is. The usability of e-books and the value of the collection is improved by having a wide range of search characteristics plus extra services such as links, dictionaries, etc. The form taken by e-books can vary from the diversity of PDF files to database-type reference books that permit interaction.

The value of an e-book collection may decline in the middle of the agreement period, if the aggregator reserves the right to remove some of the material during that period. The agreement should take note of the responsibility of the service provider to inform the libraries about the removal of material, otherwise it may be difficult to sort out. If the resources include text books, their removal during the agreement period may have an impact on the completion of the course. The value of the collections to the libraries is also reduced if they purchase the same e-books in several different collections. It is difficult to assess the degree of overlap of extensive e-book collections containing works published by several publishers.

2) Annual subscription or one-time purchase

Annual subscriptions have given libraries the opportunity to access fairly extensive collections of e-books without high financial risk. With annual subscriptions, libraries may acquire user rights to collections of e-books considerably more cheaply than the purchase price of an equivalent collection of printed books, provided that the annual cost increases are not too high. In some cases, the addition of new e-books to the collection is included in the annual subscription price.

One-time purchases of e-books are well suited to resources that have a long-term use value and do not need to be continually updated. The advantages of consortium acquisitions show up particularly well in one-time purchases of e-books. One-time purchases give the consortium negotiating power over price. Agreements may apply to the entire consortium, so that the resources can also be used by the organisations within the consortium that would not have been able to purchase the resources on their own.

Material acquired as a one-time purchase may usually be accessed via service provider's server against a yearly hosting fee. If the consortium or the library wants to load e-books on its own server, it has to have sufficient financial resources and the technical readiness to maintain the service locally in accordance with the terms of the agreement.

3) Pricing based on numbers of users

In models based on full-time equivalent (FTE) figures, the prices of the collections are calculated on the basis of the number of potential users in the organisation. The price may also be defined on the basis of FTE figures for separate subject areas. However, using subject-specific FTE figures does not necessarily reduce the price.

Pricing e-books may also be based on a restricted number of simultaneous users. The library can choose how many customers are able to use the collection at the same time. The greater the number of simultaneous users, the higher the subscription price. Restricting the number of simultaneous users is undesirable from the library's point of view, as it may prevent potential users from gaining access to the resources.

The 'one user - one book' model for e-book access restricts user rights even more than the previous model. The library purchases a specific number of copies of each e-book title. A lending system is used for the e-books, whereby the individual customer can download the book for the duration of the loan. If all the copies are on loan, other customers can only use them once they have been returned to the system for further loans. The libraries have

criticised this model because it seems to be direct copy of the acquisition and loan model for printed books and does not benefit from the potential of modern technology.

Some e-book pricing models do not take into account the size of the organisation or the number of potential users. If the organisation-specific price is the same for all the libraries participating in the acquisition, the smaller organisations may find themselves paying inordinately high prices for their e-book collections in view of the number of potential users. For large organisations, pricing of this sort may be advantageous.

Examples of pricing models for e-books

Service providers use various combinations of the above described options in their pricing models. The models may also include other elements not mentioned here. In some cases, the customer can choose from the alternative pricing models offered by the publisher/aggregator the one that best suits the organisations' needs. Below, two different pricing models are examined as examples.

Model A: Annual subscription combined to single e-book purchase

The aggregator offers user rights through an annual subscription to a e-book collection that is continuously up-dated. A price per FTE figure is specified for the collection. The price multiplied by the library FTE figure gives the price of the collection per library. Subject collections have flat prices. A minimum price is defined for the collections. Some discount applies depending on the total consortium FTE figure.

The libraries may also purchase individual e-books for perpetual access. The price for perpetual access is calculated on the basis of the list price of the book and the number of simultaneous users. Paying the list price gives the library single-user access right to the e-book and paying a higher price gives the library simultaneous multi-user access. The consortium may obtain a price advantage on the basis of the number of libraries taking part and the number of e-books purchased, for example.

The advantage of a pricing model based on the FTE number is that a price can be specified for each organisation that, in a fair way, takes into account the number of potential users in the organisation.

In models that combine annual subscriptions and purchase options, total costs can rise steeply. The library first pays an annual subscription and possibly annual price increments for the use of the collection. After the agreement ends, the library may purchase individual e-books at a price that does not include a refund on the annual subscription. The price of individual books may be higher than for printed books. If the purchased e-books are accessed via the service provider's server, an annual access fee may be paid for such use. If the e-books are loaded on the library or consortium's server, the library or consortium has to have the technology and the staff to maintain the service.

Model B: Based on the value of the book and the number of simultaneous users

The price of a collection is based on the number of simultaneous users and e-book points. The aggregator offers user rights to a continuously updated e-book collection on an annual agreement. The libraries are not, however, bound to the e-book collection specified by the publisher/aggregator, but they can choose just the e-books they want from the collection. The consortium can put together a joint e-book collection, or each library can establish its own collection.

Each e-book in the collection is given a certain number of points. The library first decides the total number of points it wishes to use and then selects as many of the books for its own collection as are permitted by the number of points. The library also chooses the number of simultaneous users. Then an organisation-specific price can be arrived at according to the number of points and the number of simultaneous users.

The advantage of this model is that the libraries can put together their own collections and change e-books within the limits of the number of points, for example for new editions published within the period of the agreement. The libraries pay for the e-books they want.

The price of the collection can rise quite steeply in relation to the number of books, however. Management of a collection acquired as individual books also calls for more effort and more resources from the library than access to a collection maintained and updated by a publisher or aggregator.

Conclusions

Consortium acquisitions should aim for the simplest possible pricing models. Complicated price lists make negotiations more difficult and management of different pricing principles may nullify the benefits brought by the model. The pricing model has to deal fairly with all the member libraries in the consortium. Similarly, individual libraries have to be offered the opportunity to choose those e-books or collections that suit them best.

In pricing e-books, it always has to be taken into account that libraries still have to acquire printed books, too. In many cases, printed books cannot be given up until perpetual access rights for e-books are guaranteed. Pricing models for permanent access have an impact on the role e-books will have in the future.

Pricing models for e-books are still developing. It remains to be seen which of the current pricing models will survive. The libraries are in a good position to influence the types of e-book collection that publishers and aggregators will be offering in the future as well as the types of pricing models and the types of user rights.

The user value of e-books depends largely on the type of user rights specified in the license agreement. In some cases publishers and aggregators have offered very limited user rights for e-books. The libraries should demand that publishers and aggregators offer adequate and uniform user rights on all e-book resources. Aggregators should be made aware of taking adequate user rights into account when negotiating agreements with publishers.

The libraries have to be able to assess prices of e-book collections in relation to their use. At present, it is difficult to calculate indicators that correspond to those used for e-journals, because there are insufficient user statistics available for e-books. The libraries should insist that publishers and aggregators of e-books produce COUNTER-compatible statistics, so that there will be some reliable and comparable information available on e-book use.

The acquisition of e-books will change library collection policies and alter the requirements for professional skill. The role of the library will change and become increasingly that of a license agreement negotiator. Knowledge of different pricing models for e-books and expertise on the content and legal aspects of license agreements will become more and more important. In a consortium, this expertise can be shared between the libraries so that all of them will be able to benefit from it.