

A missed opportunity? eBooks and public libraries in Australia.

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Abstract

While estimates suggest between of 17-25% of book sales in Australia are for eBooks and 53% of readers are regularly using eBooks, loan figures for eBooks by Australian public libraries are only between 3.4%-10.9% of total book loans. This gap suggests that during a period where total loans across Australian Libraries are decreasing there is a major opportunity to grow eBook loans.

Despite impediments to developing eBook collections, including publisher restrictions and pricing, it is possible to close the gap between library loans and eBook sales.

City of Ryde Library Service consistently has one of highest per capital lending rates for eBooks in NSW. Public Library Statistics for NSW show per capita lending rates at City of Ryde are three times the state average.

The development of the eBook collection at Ryde is driven by analysis of sales data and collection statistics. This paper includes an analysis of collection,

circulation and customer data as well as an overview of the promotion and customer support for the City of Ryde online library.

Background

City of Ryde introduced an eBook service during July 2012 and loans have grown strongly each year. The service is now well established with more than 18500 eBook copies for loan and 3500 audiobooks. As with all library collections a key decision is how large a collection should be. City of Ryde had previously identified collection size targets for print collections based on loans and turnover but as these were for mature print collections the same methodology could not be applied to a rapidly growing new collection where potential loans are restricted by availability of copies. An approach taken for identifying a collection size target for eBooks was to analyse the commercial sales of eBooks, as this represents a market where the majority of popular titles are available for immediate purchase and use, then consider the application of this data to library eBook services. Available sales data was supplemented with analysis of the result of research on Australian readers conducted by Macquarie University for the Australian Council of the Arts in 2017 (David Throsby, Jan Zwar, & Callum Morgan, 2017)

Part 1 Analysis of the market for library eBook services in Australia

What is the market for eBooks sales in Australia?

A definitive figure for eBook sales in Australia is not possible due to the a lack of publically available aggregated data (Jan Zwar, 2016 p. 7) . It is therefore necessary to derive an estimate from a variety of publically available sources.

Published estimates over the last few years fall within a similar range. An estimate of 20% by Books+Publishing in September 2016 (Books+Publishing, 2016) and 17%-25% in 2017 (David Throsby et al., 2017, p. 12) . A prediction of 20%-30% of sales by 2020 was made by ALIA in 2015 (ALIA, 2015b). There are some problems using these estimates, as it is not always clear if they refer to sales turnover or to unit sales.

Figures for the United States Market can help to verify the Australian estimates with eBooks accounting for 23% of total unit sales in 2016 but significantly 49% of adult fiction sales (Jim Milliot, 2017). This was down to 19% of unit sales in 2017 with 44% of Adult fiction unit sales (Jim Milliot, 2018). More about this Adult Fiction result later!

Using these figures current Australian eBooks sales are likely to be close to 20% of total unit sales.

Are eBook sales figures a viable target for public library eBook loans?

While sales figures are a useful measure for libraries they do not provide the full picture of the potential loans market for public libraries.

A key factor is the way the book sales statistics are collected. While published sales figures focusing on major publisher sales give the impression eBook sales are in decline with a 10% fall in 2017 (Jim Milliot, 2018), sales of works by small publishers and self-published authors on Amazon are increasing with some suggestions that major publishers are pricing themselves out of the eBook market (Adam Rowe, 2018) (Frank Catalano, 2018). Amazon states that their eBook sales are growing (Jim Milliot, 2018) with another report suggesting growth of 6% during 2017 (Natasha Onwuemezi, 2017). Current Bestseller lists mirror this trend to low priced eBooks. When viewed on 19 July 2018 the nine of top ten best sellers on the Australian Kindle store were under \$4.00 and none of the top best selling print books on the Nielsen Bookscan Australia website viewed on the same date appear on the Kindle top ten list. This is a trend for public libraries to consider, as library eBooks are also low cost once a reader is a library member and owns a suitable device.

Despite a possible downturn in eBook sales by mainstream publishers eBook loans in libraries are still increasing. Overdrive, a major supplier of eBook platforms to libraries reports 11% growth for eBook loans and 24% growth for audiobooks loans from their customer libraries in 2017 (Rakuten Overdrive, 2018) . Data analysis of the published Australian Public Libraries Statistical

reports show a 68.9% growth in eBook loans between 2014-2015 and 2015-2016 (NSLA, 2016, p. 28) (NSLA, 2017, p. 29). Later Nationwide statistics are not available at time this paper was written but analysis of available state statistics show Victorian Public Libraries experienced 25.5% growth in eBook loans between 2015-2016 and 2016-2017 (PLVN, 2016) (PLVN, 2017) and Queensland public libraries experienced 26.3% growth in eBook loans for the same period (State Library of Queensland, 2016 p. 4) (State Library of Queensland, 2017 p. 4).

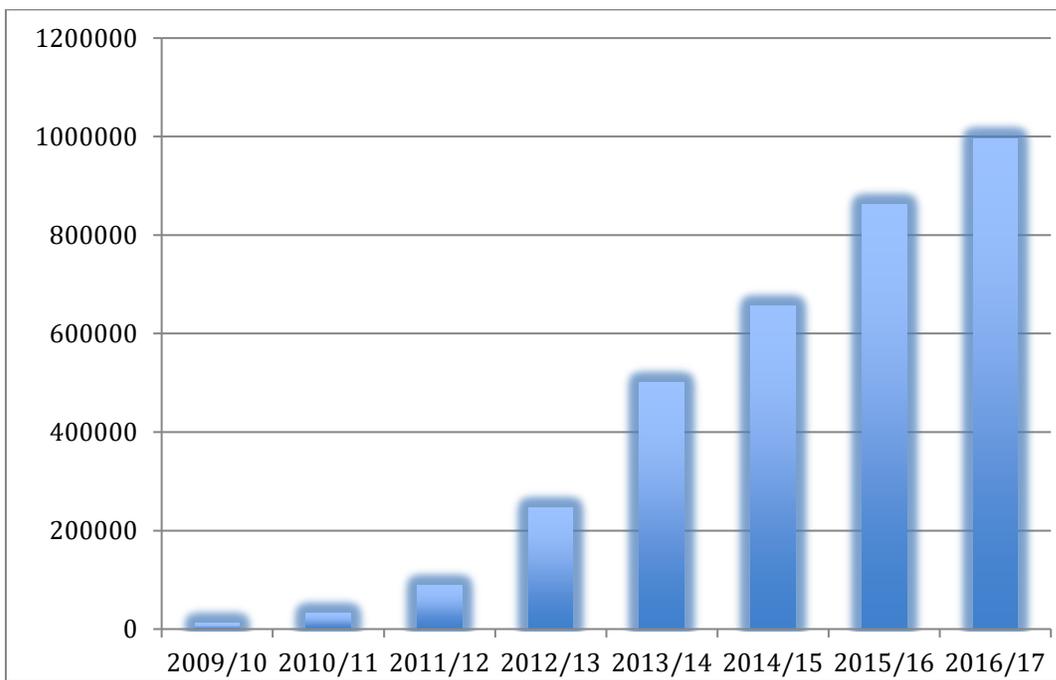


Chart 1 eBook loans in NSW 2009/10-2016/17

While the growth in eBook loans in Australian public libraries does seem to be slowing it is still significantly higher than the growth of eBooks sales. It seems likely the growth Australian eBook loans will slow further however it should not be assumed they will plateau at the same level as eBook sales. eBooks sales may

have slowed due to price increases by major publishers during 2014-2015 rather than demand for the format (Nick Earls, 2017) (Adam Rowe, 2018). Despite to these limitations eBooks sales figures remain a useful tool for library collection development planning but should be used in combination with other available data.

Australian reading behaviour and eBooks

Another approach of assessing the market for eBooks loans in Australian public libraries is the use of survey results investigating reading and purchasing behaviour. 2015 Roy Morgan research found that in a three-month period 7% of Australians purchased an eBook on line with the highest purchase by age group being 35-49 at 9.1% (Roy Morgan, 2015). During the same period the report found that 56.7% of this age group had read either an eBook or a print book. Considering eBook purchases as a percentage of total readers it is possible to estimate a figure of 16% of readers surveyed purchasing eBooks in 2015.

A extensive 2017 study of Australian book readers conducted by the Department of Economics at Macquarie University found that 53% of readers regularly read books in an electronic format, 90% regularly read in print formats and 12% in audiobook formats (this report did not differentiate between physical and online audiobooks). (David Throsby et al., 2017 p. 14). The report classed electronic format readers as those who indicated they often or sometime read on electronic

devices. This figure suggests the eBook readership is high and that most eBook readers also regularly read in print formats.

Another significant finding from this study is that while only small number of eBooks are purchased as gifts or for children one third of the books brought for the respondents own use were eBooks (David Throsby et al., 2017, p. 15). This implies the potential eBook loans market for public libraries may be higher than total sales figures suggest as a high percentage of loans from adult collections at public libraries can be assumed to be for personal use. The “reason for purchase” figures for all formats from this study were 64% for own use, 22% for children and 14% as gifts (David Throsby et al., 2017, p. 15).

Considering that 53% of readers reading books in electronic formats and one third book purchases for a readers own use were for eBooks (David Throsby et al., 2017 p.15) it is possible the eBook loans market for public libraries for Adult collections could be as high as 33% of total loans for adult collections compared to the overall estimated eBook sales figure of 20%.

Australian public libraries and the gap

While eBook sales constitute and estimated 20% of the total print and electronic book sales market library lending figures are much lower at 3.6% of total loans nationally in 2015-2016 (NSLA, 2017 p.30). Analysis of more recent 2016-2017

data from Queensland Public libraries produces result of 4.6% of total loans (State Library of Queensland, 2017 p, 4) and 6.4% for Victorian Public Libraries (PLVN, 2017) and a very low 2.1% for NSW (State Library of NSW, 2018 p.15-19) .

The published total loans figures however include loans for non-book items and serials. For NSW public Libraries eBooks comprised on 3.5% of total book loans for 2016-2017 (State Library of NSW, 2018 p.17-19). The National, Queensland and Victorian statistics do not provided a statewide breakdown for book and non-book physical loans. Analysis of the published statistics for NSW shows book and eBook loans comprised 59% of total loans in 2016-2017 (State Library of NSW, 2018, pp. 15–17). If this figure is applied to the 2016-2017 figures for Queensland and Victoria an estimated range of 7.7% (Qld.) to 10.9% (Vic) can be derived for eBook loans as a percentage of total book loans. This amended figure still indicates large gaps between the public library eBook loans (3.5%-10.9% of total book loans print and electronic) and estimated eBook sales in Australia of 20% of total book sales and an even larger gap between the percentage of library book loans the percentage of eBooks purchased for when books are purchased for personal use (one third) (David Throsby et al., 2017, p. 15).

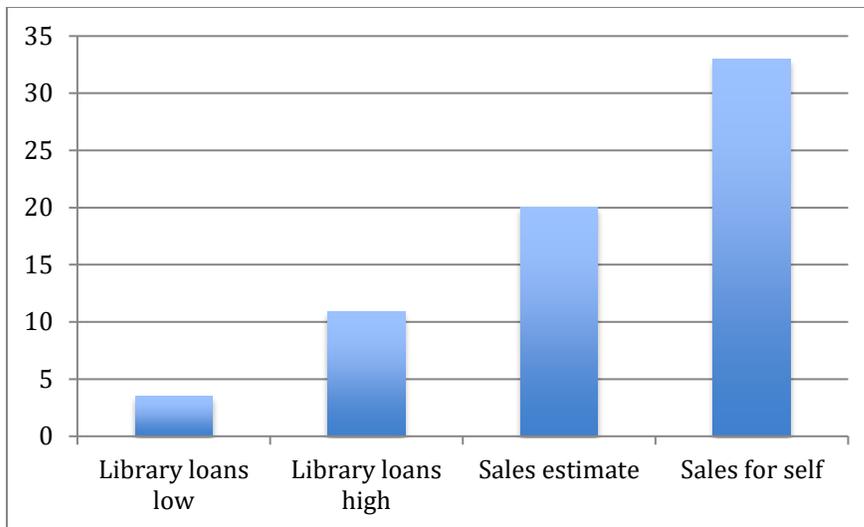


Chart 2 The Gap % of Australian public library loans to total book loans compared to eBook sales and eBooks purchase for self as % of total book sales.

Why is there a gap?

There are several likely reasons for this gap. Primarily public libraries are still building their eBook collections compared to online book eBook providers where most popular titles are readily available. The licensing deals for public libraries often follow a one copy one reader model requiring customers to place reservations whereas privately purchased eBooks are immediately available. Public libraries also face embargoed release dates from some publishers for eBooks meaning titles are available for purchase months before being available to library services. The financial sustainability of larger collections is also a concern. High prices and metered access titles that expire after set period and/or set number of loans are results in libraries to budgeting and to expending funds renewing metered copies rather than expanding collections. The reality of the eBook purchasing for libraries is still far from the ALIA's guiding principles for eBooks and eLending (ALIA, 2017) which includes statements about fair access

and availability of content. Ongoing research being conducted by Rebecca Giblin at Monash University will provide more analysis of content availability issues over time (Rebecca Giblin, 2018)

Analysis of the Victorian public library statistics reveals another reason. While Victoria is a relatively high performer with 10.9% of total book loans in Victoria were for eBooks during 2016-2017 only 8 of 45 Library services in Victoria had 9% or higher percentage of eBook loans while 16 had less than 5% (PLVN, 2017). The diversity suggests that despite growing demand for eBooks from customers many library services may lack the resources to allocate sufficient resources to rapidly develop and market their eBook services. This issue may also account for the variation in eBooks loans between NSW and Victoria and Queensland (see Australian public libraries and the gap above) where the large number of smaller library services in NSW may be a factor in the lower figures for this state. The ALIA report *Comparison of ebooks and lending in Australian Public Libraries* identified four factors identified as to why some public libraries had delayed eBook services up to 2015, budget constraints, technology issues and licensing issues (ALIA, 2015a). As these reasons are still present it is likely they are still major constraints on the ongoing development of eBook services.

The risk of public libraries not developing eBook services

While problems with the available eBook service providers remain public libraries should continue to develop their services to meet customer demand. Service such as Amazons Kindle Unlimited, Audible and Scribd offer “Netflix Style” subscription pricing and a growing range of content. While these services have huge limitations in availability of mainstream content and are not an existential threat to public libraries at this point this has not prevented some economics commentators proposing the idea of commercial services forward as a replacement for public libraries. (Tim Worstall, 2014) (Thu-Huong Ha, 2018). While these are outlier arguments based on a ideological view that commercial enterprise can and should replace public libraries the massive funding cuts to library services in the United Kingdom may have been driven by related views (John Harris, 2017). A similar situation is less likely while Australian public libraries are relevant to their communities. While total public library loans are in declining across Australian public libraries (8.5% decrease between 2011-2012 and 2015-2016) (NSLA, 2017)eBook loans are still growing strongly. Meeting the demand for eBook loans with larger collections is a strategy for public libraries to both keep and gain new customers form a very large pool of eBook readers.

Part 1 Conclusions

- While eBook sales from major publishers may have slowed demand for eBooks is still growing in Australian public libraries.

- Whereas an estimated 20% of total book sales in Australia are for eBooks public libraries eBook loans are only achieving 3.5% -10.9% of total book loans with significant variations between states.
- There is a significant opportunity for most public libraries to grow their eBook collections and increase loans. The “eBook loans market” likely to be at least as high as eBook sales estimate of 20% and possibly higher for adult collections based on customer purchasing behaviour.
- Development of eBook services at Australian public libraries is not uniform and many libraries may lack the resources to meet demand.

Part 2 Developing the Online Library at City of Ryde

City of Ryde launched an eBook service as part of our online library in 2012 and has experienced strong growth in loans year by year. City of Ryde recorded 7.9 % of total book loans in 2015-2016 as eBooks, well above the 2015-2016 NSW state average of 3.5% of total book loans. While our performance is encouraging it is some way off the potential market for library eBook loans identified in Part 1 of 20% based on Australian eBooks sales estimates or up to one third of adult collections loans based on customer reading and purchasing behaviour surveys discussed in part one above.

How many eBooks should be in the collection?

Using the Australian eBook sales estimate of 20% identified in Part 1 leads to a collection size target of 38000 eBook copies from a total book collection target of 190000. Our current collection eBook collection is 18500 eBook copies for loan so there is significant room for expansion.

What to buy

A strong trend at City of Ryde is that eBook loans by collection are very different to print loans. For example in 2017/18 while 66% of eBook loans are for adult fiction only 16.5% of print book loans were from collections in this category. This is verified up by US sales figures which show eBooks accounts for only 5% of children books sales, 8% of young adult sales, 12% of adult non fiction sales but a massive 44% of adult fiction unit sales in 2017 (Jim Milliot, 2018). Adult fiction was also the dominant collection for eBook loans at City of Ryde comprising 65.6% of eBook loans during 2017-2018. These figure strongly suggest public libraries should focus on developing adult fiction eBook collections.

Using the US sales figure for eBooks discussed above as percentage of total books sales in same categories the collection size targets for City of Ryde would be:

EBook Collection	% Of collection derived from US sales figure	Collection size targets – sales data (copies)	% Of current eBook loans at Ryde	Collection size targets derived from loans data (copies)
Adult Fiction	54%	20520	66%	25080
Adult Non Fiction	29%	11020	18%	6840
Children’s Fiction	8%	3040	10%	3800
Children’s Non fiction	3%	1140	1%	380
Young Adult	6%	2280	5%	1900
Total		38000		38000

Table 1 eBook collections targets base on US sales and loans at City of Ryde

These targets should to be moderated by the actual loan results over time. The model based on sales data is similar to the loans data targets from City of Ryde suggesting it is a valid starting point for developing collection size targets for eBooks

Case study - Adult fiction loans and eBooks

Adult fiction is an interesting case study as while the eBooks made up 7.9% of total book loans they accounted for 26.6% of total Adult Fiction book loans at City

of Ryde during 2016-2017 and 29.7% during 2017-2018. It should be noted that this is already approaching the one third of loans for adult collections suggested in Part 1. Another interesting realisation is that while City of Ryde had been assuming Adult Fiction loans were in decline, as we tended to review print loan statistics in isolation from online loans, this was not the case when print and online loans were combined. Combining our online and print adult fiction book loans we found there is actually an increase of 2.5% in Adult Fiction loans between 2012-2013, our first full year of offering an eBook service and 2016-2017. This compares to a statewide decrease of 17.5% in Adult Fiction print loans between 2012-2013 and 2015-2016. This figure suggests readership for Adult fiction at City of Ryde is stable but many customers are switching reading formats to eBooks or supplementing their print book reading with eBooks. It seem likely this trend goes beyond City of Ryde so it is possible public libraries who have been unable to develop their eBook collections are missing out on this growth

Who is using eBooks at City of Ryde library?

The average age of an eBook borrower at City of Ryde is 42.14. 69.7% of eBook borrowers are women compared to 63.8% of print borrowers. Generally our eBooks borrowers are similar to our print book borrower for adult collections. These results tend to back the results of results of 2017 Macquarie University

research showing a large number of readers use both eBooks and Print books (David Throsby et al., 2017 p. 14)

Reasons for the growth of eBook loans at City of Ryde

There are a number of factors resulting in the success of the online library at City of Ryde.

Collection size. Due to support from our Council the service was able to launch with 4000 copies and has since grown to more than 18500 copies. Small eBook collections are less viable as they lack the breadth of content to attract a large number of customers. To achieve this many hard decision were made around the budgets for print items and online research databases.

Constant marketing. Coca-Cola never stops marketing and neither should libraries. Our Online library is available directly from the Council home page. The address off the online library appears on all receipt slips and in most customer newsletters. Most online library titles are included in the library catalogue. 16.5% of the referring URLs to our largest eBook service come from the library catalogue and 8.7% from the City of Ryde website.

Collection Development. The focus for the online library is popular adult fiction titles. While other collections still attract loans the demand is much lower than

their print counterparts. We did place significant resources into developing a children's collection in an expectation we could achieve a "critical mass" of content but the results have been disappointing and consistent with the US sales figures noted above.

Limiting the number of service providers. Most customers (62%) use the online library via a service provider app on a tablet or mobile phone. These were also the two most popular electronic reading devices identified in the Macquarie University research (David Throsby et al., 2017). While it is difficult to avoid, spreading content across multiple apps makes it more difficult for customer to access and use the service.

Audiobooks

While this paper is primarily about eBook loans in Australian public libraries is should be noted that audiobooks loans have increased dramatically in the last year. The annual FY growth rate at City of Ryde for 2017-2018 was 72% compared to 17% for eBooks loans. Australian sales figures are not available but sales figure for the US had 22.7% growth by revenue for 2017 (John Maher, 2018) and the UK 12% by unit (Heloise Wood, 2018).

Part 2 conclusions

- eBook sales figures are a valuable tool to develop collection size targets for eBooks but should be moderated against loans statistics and other available data
- eBook loans are significantly different to print collection loans. Print collection loans should not be used to set collection size targets for eBook collections
- Public libraries should prioritise adult fiction when developing online collections
- Public Libraries should limit their number of eBook service providers, or seek a combined app, as customers are mostly reading eBooks on tablets and mobile phones.

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