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Boom or Bust: Short-Term Loans Five Years Later

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Abstract

The University of Kansas (KU) Libraries began a demand-driven acquisition program for e-books in late 2011, which included short-term loans (STLs). At that time, STLs cost 5 to 10% of a book's list price, with libraries paying no more than 130% when actually purchasing an e-book. The literature from the early years praises the new purchasing model as cost effective, often saving libraries thousands of dollars annually. However, in 2014, the cost of STLs began to increase, with a handful of publishers charging as high as 30 to 35% per loan. In FY14, the KU Libraries saw a sudden 122% increase in the cost of their STLs and a 277% increase in the overall cost of their e-book purchases. Alarmed by this sudden increase, KU librarians began looking for solutions to save money, including lowering the number of loans from three to two before triggering a purchase. Unfortunately, STL costs at KU continued to rise the following year by 32%. STLs were no longer working as a cost-saving measure, and publisher pricing for STLs has continued to rise, some to as much as 40 to 50% of the cost of a book.

When the concept of demand-driven acquisitions (DDA) for e-books was first introduced, many libraries embraced this model as a cost-saving method for collecting monographs. Publishers agreed to try out pilot projects with certain libraries to see if this new model was profitable. E-book vendors such as EBL, Ebrary, and EBSCO offered e-book purchasing with short-term loans (STLs) costing 5 to 10% of the list price of the book, with libraries paying no more than 130% when actually purchasing the e-book. The library literature from these early years of STLs praises the new purchasing model as cost effective, often touted as saving libraries thousands of dollars annually. As opposed to the long-time standard of approval plans that allowed libraries to purchase books on a "just-in-case" basis with reduced budgets, libraries found the "just-in-time" approach of the DDA model to be highly advantageous. Even more desirable was a hybrid approach, essentially a demand-driven-preferred approval plan, which enabled libraries to provide access to more content than ever before, while spending less.

The University of Kansas (KU) Libraries began a DDA program for e-books (eDDA) in late 2011 after successfully implementing a DDA program for print books (pDDA) during the previous two years. Some librarians at KU had expressed skepticism about investing in e-books, particularly in the humanities, but were swayed into piloting an e-preferred acquisitions model by writing criteria for purchasing

e-books into the Yankee Book Peddler (YBP) approval plan for the sciences and social sciences. E-books had to fit into the approval plan parameters like their print counterparts and had price limits. For the social sciences, the price was capped at \$94.99 to come in on approval, and books priced \$95 to \$150 were loaded into the online catalog as DDA. Any book over \$150 had to be selected by librarians. For the sciences, there was a \$150 price cap for books on approval, and books costing \$151 to \$200 were loaded into the online catalog as DDA. Any book over \$200 had to be selected by a librarian. By consulting retrospective lists of books that would have come in on approval, we were able to project expenditures and average prices. We estimated that in the first year, 23% of our monograph purchases would be eDDA, 50% would be pDDA, 20% would be received on approval, and 7% would be selected by librarians. These projections were fairly accurate.

When the e-book plan was created, KU Libraries set their preference for e-books to come in primarily through EBL's nonlinear lending model, which allowed for 365 uses of a book before being bound to purchasing a second copy. If nonlinear lending was not available, single-user access was next preferred, followed by multiple user, if requested for use in the classroom. Librarians also had a week to review the approval e-books before they came in automatically.

Table 1. Ten years of approval plan numbers.

FY	Approvals received: Pbooks	Approvals received: Ebooks	pDDA purchases	eDDA purchases	pDDA records loaded	eDDA records loaded	Total titles purchased	Total expenditures, including eDDA short-term loans	Cumulative percent change	Avg price	Change in titles purchased	Change in expenditures
FY06	15,250						15,250	\$823,857.50		\$54.02	100%	100%
FY07	14,551						14,551	\$828,650.29	0.6%	\$56.95	95%	101%
FY08	14,326						14,326	\$760,554.18	-7.7%	\$53.09	94%	92%
FY09	12,223						12,223	\$614,149.30	-25.5%	\$50.25	80%	75%
FY10	11,497		37		630		11,534	\$573,612.80	-30.4%	\$49.89	76%	70%
FY11	11,156	199	124		1,142		11,479	\$545,972.55	-33.7%	\$49.33	75%	66%
FY12	8,629	925	193	1	2,820	4,222	9,748	\$488,058.49	-40.8%	\$50.07	64%	59%
FY13	7,869	1,608	192	25	5,121	7,528	9,694	\$512,344.57	-37.8%	\$52.85	64%	62%
FY14	7,778	1,571	283	73	8,884	7,059	9,705	\$562,203.29	-31.8%	\$57.93	64%	68%
FY15	7,767	69	480	178	11185	3323	8,494	\$466,177.77	-43.4%	\$54.88	56%	57%
FY16	7,479	64	803	133	13160	2090	8,479	\$460,634.97	-44.1%	\$54.33	56%	56%

In addition to the approval e-books, YBP also sent records for eDDA to be loaded into the online catalog without purchasing. Initially, EBL was our only provider of eDDA. We later added ebrary, EBSCO, and individual publishers to the list of e-book providers. EBL allowed browsing of an e-book for 5 minutes before a 1-day STL was triggered. An STL was also triggered by printing or by downloading a book to use offline in Adobe Digital Editions. Initially, KU Libraries chose to set our eDDA plan to have three STLs with autopurchase on the fourth use. During the first year of eDDA, KU Libraries went from approximately \$65,000 in print DDA savings in FY09 to more than \$118,000 in savings for the entire DDA program in FY11. While expenditures for books declined significantly for the first few years, the number of books available in the online catalog for discovery increased a great deal.

In the initial years, the eDDA and pDDA programs were deemed a success, and the number of records loaded into the catalog continued to increase. All was well until 2014, when publishers began to raise the cost of STLs, with a handful going as high as 30 to 35% of the cost of the book per loan. In FY14, the amount spent on STLs by KU Libraries skyrocketed to a 122% increase over the previous year, with a 277% increase in the overall cost of e-books. Since KU had experienced a flat collections budget since 2009, there were no funds to cover these increases, and money had to be reallocated to pay these additional costs. To try and staunch the outward flow of funds for STLs, KU lowered the number of STLs from three to two before a purchase was triggered, which cut costs significantly. In 2015, KU also stopped getting e-books automatically on approval by rejecting them and setting them all to DDA. This was also a

significant cost-saving measure, but it is proving to be somewhat short-lived as more and more publishers have stopped allowing DDA for their titles altogether. Currently, when a publisher does not allow eDDA, we load the record for the print book into the online catalog where patrons can request that we order the book for them.

Looking for other ways to make eDDA more cost effective, we recently investigated how changing the number of STLs from two to one would affect spending. We also considered how changing our preference from a nonlinear lending preferred format to a single-user format might lower our e-book costs. EBL provided a year's worth of data (February 1, 2015–February 5, 2016, see summary in Table 2). During this time period, we spent \$4,408.53 to purchase 41 titles (37 nonlinear lending, two unlimited users, and two single-user) for an average cost of \$107.53 per book. If we had purchased these 41 titles in single-user-only format, we found we would have saved \$909.82. If we changed the autopurchase from third to second trigger, we would have spent \$3,809 more.

Ebrary provided data from April 28, 2015, through May 3, 2016 (see summary in Table 2). We spent \$2,615.82 to purchase 23 of the 60 titles triggered at least twice (six single-user, 10 unlimited users, and seven three-user). If we changed the purchase preference to single-user, we would have saved \$585.18. If we changed the autopurchase to trigger on the second use, we would have spent \$1,949.91 more. We had far less data to review from EBSCO. They sent us data from March 1, 2015, to February 26, 2016, which only amounted to four titles (see summary in Table 2). We spent \$228.98 on STLs during that time, with no autopurchases. If we lowered the triggers before autopurchase, we would

have spent \$367.46 more. It became quite apparent that lowering the number of triggers before a book is purchased would cost us more, while changing our purchasing preference to single-user would save us a significant amount of money.

Another cost-saving measure was offered to us by YBP to help cut more of our STL costs. Entitled Apex, this new program is an option in our approval plan to have titles that would most likely trigger an eDDA purchase come in automatically using an algorithm from YBP. Purchases only amount to one or two titles a week, but since we started the program in July of this year, we have potentially saved almost \$250 in STLs during the first three months. We will continue to watch the statistics for the next year or so to see if this program is really saving us money in the long run. Finally, to further find STL savings, we have identified several publishers in our approval plan that charge 35% or more in STL costs to turn off. In most cases, we choose to load records for these books in print and forego the cost of the e-books and STLs.

KU is currently collaborating with ProQuest and YBP to negotiate a collaborative eDDA program for KU and Kansas State University (KSU) where a purchase by either campus will provide access to the e-book at

both universities. ProQuest is contacting and negotiating with a list of publishers that KU and KSU developed to create a collaborative collection development project. While several publishers on our list have not agreed to participate in this project, ProQuest has had some success in negotiating with a handful of publishers to start an eDDA program. KU and KSU may not see cost savings with this project, but we have long wanted to collaborate on a collection development project, and this option seems like an opportunity to better share our collections.

It remains to be seen if there truly is a future in demand-driven acquisition, with so many publishers pulling out of providing this option. Whereas libraries continue to see the benefits of the eDDA model, publishers, who were accustomed to making money off their front list, are having a hard time reconciling the idea that with this new DDA model they are more likely to make money off their back list. As we have seen at KU, the option of providing more records in our online catalog for discovery has drawn the support of our researchers. They have embraced this option as the overall expenditures for books has receded, and we are hopeful that many publishers will see the opportunity to make profits off back lists as their profits from front lists are likely to diminish as well.

Table 2. STL and autopurchase expenditures from three major eDDA vendors.

Vendor	# of titles with 2+ STLs	Amt. spent on STLs & autopurchases	# of STLs	% spent on STLs	Avg. cost per STL	# of autopurchases	% spent on autopurchases	Avg. cost per autopurchase
EBL	91	\$7903.07	171	44	\$20.44	41	56	\$107.53
ebrary	60	\$4,834.24	114	46	\$19.46	23	54	\$113.73
EBSCO	4	\$228.98	8	100	\$28.62	0	0	n/a