

## **Subscription based ebook publishing models**

### **Policy Department Briefing**

#### **Introduction**

On July 22nd 2014, the Book Industry Study Group (BISG) released the results of an extensive survey of 4,000 industry professionals including publishers, libraries, book sellers, and aggregators, and 80 percent of respondents said they believe that ebook publishing was inevitably moving toward subscription-based models.<sup>1</sup>

This briefing outlines some of the subscription services currently on offer and considers the implication for library lending.

#### **Kindle Unlimited in the UK**

On 24<sup>th</sup> September 2014 Amazon launched its Kindle Unlimited subscription service in the UK.

<http://www.amazon.co.uk/b?ie=UTF8&node=5209103031>

For £7.99 a month customers have unlimited access to more than 650,000 Kindle books and thousands of Audible audiobooks. It is available on all Kindle devices and free Kindle reading apps.

Titles from all the independents in the Independent Alliance<sup>2</sup> are available, as are those from Bloomsbury, and the Harry Potter series from Pottermore. Also among the titles on offer are Kindle Singles from authors such as Stephen King and Susan Hill, and Kindle exclusives.

However none of the UK's major publishers is believed to have signed up.

#### **Kindle Unlimited in the US**

Kindle Unlimited launched in the US in July 2014

[https://www.amazon.com/KindleeBooks/b?\\_encoding=UTF8&\\*Version\\*=1&\\*entries\\*=0&ie=UTF8&node=9578129011&pfShowFeatures=](https://www.amazon.com/KindleeBooks/b?_encoding=UTF8&*Version*=1&*entries*=0&ie=UTF8&node=9578129011&pfShowFeatures=)

None of the "Big 5" publishers have signed up.

#### **Kindle Unlimited business model**

Amazon pays the wholesale price for each book read that is published by traditional publishers, but pays independent writers out of a pool, which Amazon has recently raised to \$2m. The consensus among indie writers is that they expect to receive \$2 for each read, but this is not guaranteed. In addition, Amazon

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<sup>1</sup> <http://www.infodocket.com/2014/07/22/new-bisg-study-shows-80-of-publishers-believe-digital-book-subscription-is-inevitable-but-responses-vary-by-market-sector-inbox/>

<sup>2</sup> <http://www.faber.co.uk/independent-alliance/>

reserves the right to alter the threshold—currently set at 10% of the total novel being perused—that triggers a qualifying "read".<sup>3</sup>

There are concerns about the viability of the subscription model, with many commentators questioning how a model that pays a wholesale price for each book read, based on a monthly subscription of around \$9.99, is sustainable.<sup>4</sup>

### **Exclusivity**

There is a requirement for titles to be exclusive to Amazon.

Mark Coker, founder and CEO of indie ebook publisher and distributor Smashwords, [wrote on his company's official blog](#) "exclusivity starves competing retailers of books readers want to read, which motivates readers to move their reading to the Kindle platform. This is why Amazon has made exclusivity central to their ebook strategy. They're playing a long-term game of attrition."<sup>5</sup>

### **Value for money?**

Victor Luckerson at Time magazine's [Techland blog](#) estimated that users "would need to read more than 16 books per year to derive a greater value from Kindle Unlimited than buying the books".<sup>6</sup>

### **Limited range of books**

At present the "big five" publishers—Penguin Random House, Simon & Schuster, HarperCollins, Macmillan, and Hachette Book Group—are not part of the Kindle Unlimited offering. So, despite the size of this initial collection many popular ebooks are unavailable through the service.

Washington Post consumer tech reporter Heather Tsukayama wrote, "if you want any of the top five current New York Times fiction bestsellers, for example, you're not going to find them in the Unlimited catalog".<sup>7</sup>

An Associated Press [review](#) also highlighted the lack of bestsellers, with technology editor Anick Jesdanun writing that "it turns out the library of 600,000 is bit like a small bookstore with a few current titles such as 'The Hunger Games' [series], attached to a block-sized bargain bin of obscure stuff mixed with *Robinson Crusoe* and other classics that are in the public domain and available for free online anyway."<sup>8</sup>

On The Economist's Babbage blog, columnist Glenn Fleishman expressed skepticism about the possibility of Amazon negotiating subscription deals with any of the Big Five publishers in the near term. Publishers already wary of Amazon during its [brutal Hachette negotiations](#)\* may be disinclined to grant more power to the firm by allowing their catalogues to increase the volume of volumes on offer.<sup>9</sup>

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<sup>3</sup> <http://www.thebookseller.com/news/doubts-raised-indie-authors-over-ku-terms>

<sup>4</sup> Ibid

<sup>5</sup> <http://www.thedigitalshift.com/2014/07/ebooks/librarians-media-react-launch-kindle-unlimited/>

<sup>6</sup> Cited in Enis, M, 2014 <http://www.thedigitalshift.com/2014/07/ebooks/librarians-media-react-launch-kindle-unlimited/>

<sup>7</sup> Ibid

<sup>8</sup> Ibid

<sup>9</sup> Ibid

\*For the pro-Amazon position see petition to Hachette <https://www.change.org/p/hachette-stop-fighting-low-prices-and-fair-wages>

### **Big 5 and library e-lending**

In the US, the Big Five do “sell” their ebooks to libraries:

“From a library perspective, Kindle Unlimited seems unlikely to affect demand for library materials at all,” said Sarah Houghton, director of California’s San Rafael Public Library (SRPL)...Six hundred thousand titles is not a lot... SRPL’s ebook catalog also offers about 50,000 ebook titles, Houghton added. In terms of raw numbers, that might seem insignificant by comparison, but Houghton contends that “our selection is also much better than what you’d find in Kindle Unlimited, including most bestselling titles from the Big Five publishers.”<sup>10</sup>

Unfortunately, in the UK, Macmillan, Penguin and Simon & Schuster don’t make their ebook titles available to libraries and Random House withholds its front list.

### **Other subscription services**

**Kindle Owner’s Lending Library:** allows you to check out one book on a Kindle device (out of a selection of 600,000) per month as part of your overall subscription to Amazon Prime (Prime also includes free shipping on Amazon orders, access to Amazon Music and Amazon’s streaming video service). The Lending Library and Kindle Unlimited selections appear to be largely the same (although HarperCollins has signed up to the former). Prime costs £79 per annum, so it is cheaper than Kindle Unlimited (£95.88)

**Oyster:** a US based streaming service for ebooks, launched in 2013. For \$9.95 a month, readers have unlimited access to more than 500,000 titles from the back catalogues of major publishers (including Simon & Schuster and HarperCollins) and smaller publishing houses. Oyster is available for Apple iOS, Android, NookHD, Kindle Fire and web browsers. Oyster is working to expand its market outside the US.<sup>11</sup>

**Scribd:** Originally a site just for posting documents, Scribd has struck deals with over 900 publishers (including HarperCollins) to provide a library of more than 500,000 titles for \$8.99 per month. It is compatible with iPhone, iPad, Android, Kindle Fire, and any web browser. Books are synced automatically, so you don’t have to search for where you left off reading and you can download books to read offline. While Scribd does work in the UK, many books are not accessible “due to territorial rights restrictions”.<sup>12</sup>

**Entitle:** This service offers users two titles for \$9.99 per month, three for \$14.99 per month or 24 for \$99 a year. You get access to 200,000 titles, including new releases from Simon & Schuster and HarperCollins, and you get to keep the books you download. Entitle works on Apple and Android devices, the Kindle Fire, and Nook, although not Amazon’s Kindle. Currently the service is not available outside the USA, but Entitle “are actively working on expanding [their] service.”<sup>13</sup>

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<sup>10</sup> Ibid

<sup>11</sup> <http://www.publishingtechnology.com/2013/03/five-contenders-for-the-netflix-for-books-crown-line-up/>

<sup>12</sup> [http://www.washingtonpost.com/entertainment/books/apps-for-reading-could-be-your-netflix-of-books/2014/06/26/5156a7d0-f703-11e3-8aa9-dad2ec039789\\_story.html](http://www.washingtonpost.com/entertainment/books/apps-for-reading-could-be-your-netflix-of-books/2014/06/26/5156a7d0-f703-11e3-8aa9-dad2ec039789_story.html)

<sup>13</sup> Ibid

**Sproukin:** A print book subscription service aimed at the children's market that has announced it will compete in the digital space and has an enhanced ebooks app/reading platform in the pipeline. Currently only available in the US.<sup>14</sup>

**Blinkboxbooks:** Tesco acquired the ebook platform and store Mobcast in late 2012. In March 2013 Tesco announced that Mobcast would be brought under the Blinkbox on-demand TV brand that it acquired in 2011, along with the music streaming service We7. There are currently no details as to what Blinkboxbooks will ultimately look like. The fact it's being positioned as part of a well-known streaming services suggests that Tesco will pursue a subscription model to some extent. It will certainly be interesting to see what the new venture's MD, Gavin Sathianathan, who joins from Facebook, has planned, and how he will translate Tesco's might in the physical book sales market into the online space.<sup>15</sup>

**Total Boox:** Israeli start-up Total Boox is a pay-as-you-go ebook service where the reader only pays for what they read. By applying the top-up payment model that has worked well for services like Skype to ebooks, Total Boox hopes to meet pent-up demand among readers who might prefer to buy extracts rather than whole books, which might find favour among college students.<sup>16</sup>

The service is available to libraries worldwide: <http://www.totalboox.com/libraries-faq>

**Emily Books:** founded in 2011 and costs \$159.99 per annum or \$13.99 per month. Subscribers download one ebook per month from the website; if they use the accompanying app, they get one ebook per month plus bonus content. Each ebook is chosen by Emily Books staff members, so subscribers may read titles they might not have chosen themselves. None of the Big 5 are participating.

#### **Other "competitors":**

In "Start-Ups Take Library Jobs", Eric Hellman lists some other digital offers that could be regarded as competitors to libraries - <http://tinyurl.com/ldxdygg>

#### **Reactions to subscription services**

Jimmy Thomas, executive director of Colorado's Marmot Library Network: "I'm enough of a realist to assume that consumers will gravitate to the cheapest, most convenient source of content, whether that's Amazon or the public library... Amazon continues to set a high standard of convenience libraries should attend to. And every time this huge corporation does something on a massive scale, libraries should be reminded to approach services differently. Competing with Amazon on its own terms is not a good direction for libraries. But thinking about how to complement Amazon is worthwhile."<sup>17</sup>

Eric Hellman, president of Gluejar which helps make specific ebook titles free under a Creative Commons license: "It's clear that Amazon sees 'free' as its competition in the ebook space. And yes, libraries occupy space in the ebook market that Amazon wants for itself."<sup>18</sup>

See Helen's Leech's blog "Amazon we want to talk to you about Kindle unlimited"  
<http://www.cilip.org.uk/cilip/blog/amazon-we-want-talk-you-about-kindle-unlimited>

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<sup>14</sup> Ibid

<sup>15</sup> Ibid

<sup>16</sup> <http://www.publishingtechnology.com/2013/03/five-contenders-for-the-netflix-for-books-crown-line-up/>

<sup>17</sup> <http://www.thedigitalshift.com/2014/07/ebooks/librarians-media-react-launch-kindle-unlimited/>

<sup>18</sup> Ibid

Gary Price, editor of *LJ infoDOCKET*: “Even in a best-case scenario—in which these subscription services have no direct impact on library circulation or library ebook book borrowing—their marketing efforts\*\*, combined with media coverage that regularly ignores libraries, does shape public perception regarding the relevance of libraries.”<sup>19</sup>

\*\*Amazon has three years of data on library titles that were borrowed via OverDrive using a Kindle device or app in the US, giving them an edge should they choose to target library users with this service.

Writers have used the launch of Kindle Unlimited as an opportunity to predict the death of libraries:

Tim Worstall, *Forbes*: “Let’s just close down the lending libraries and buy every citizen an Amazon Kindle Unlimited subscription. I’ll use the numbers from my native UK here simply because I have a better grasp of them. As a country we spend some £1 billion a year on supporting the library system. There’s some 60 million citizens meaning that we can, from that sum, afford to pay perhaps £20 for each subscription. That’s a lot less than Amazon is currently demanding but I would bet a very large sum of money that an adequate bulk discount could be arranged for such a slug of customers.”<sup>20</sup>

### *Responses to this position*

Jimmy Thomas, executive director of Colorado’s Marmot Library Network: “The public library is part of the local community, which is something Amazon—and Google, for that matter—can never be... working on services in and with the community seems like an advantage public libraries will long have.”<sup>21</sup>

S.E. Smith, *The Daily Dot*: “It’s not just tangible things like books, magazines, and research materials such as old newspapers and property records, but the intangible: The experienced librarian, the tax preparer who provides advice, the community lectures. These are things that cannot be replaced by mere technology — not even with Kindle Fire’s much-vaunted Mayday Button”.<sup>22</sup>

Linda Braun, youth services manager at the Seattle Public Library: “as these subscription services emerge and become more popular, libraries will need to be prepared to provide access to content to users who cannot afford subscriptions, and to help other patrons learn how to use these services, much as libraries continue to do with e-readers, tablets, and more recently, streaming devices”.<sup>23</sup>

CILIP’s response to the Sieghart Review of Elending, 2011: “Libraries enhance, enrich and expand the community of readers, with ebooks being just one aspect of the virtual environment. Librarians bring expertise in reading and learning and act as guides to the mass of data and online information that is increasingly used in daily life. Knowledgeable library staff help their readers to identify genres and authors, experiment with different styles and develop their reading portfolio without cost”.

“Libraries can utilise technological innovation to become ebook enablers, encouraging and supporting wider use of ebooks and econtent, for the benefit of all stakeholders, including the library service itself”.<sup>24</sup>

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<sup>19</sup> Ibid

<sup>20</sup> <http://www.forbes.com/sites/timworstall/2014/07/18/close-the-libraries-and-buy-everyone-an-amazon-kindle-unlimited-subscription/>

<sup>21</sup> <http://www.thedigitalshift.com/2014/07/ebooks/librarians-media-react-launch-kindle-unlimited/>

<sup>22</sup> <http://theweek.com/article/index/265775/what-the-death-of-the-library-means-for-the-future-of-books>

<sup>23</sup> Ibid

<sup>24</sup> <http://www.cilip.org.uk/cilip/advocacy-campaigns-awards/advocacy-campaigns/ebooks/ebooks-consultation-responses>