



STAFF REPORT ACTION REQUIRED

16a.

2012 Operating Budget Suggestions: Affiliate Retail Options

Date:	June 25, 2012
To:	Toronto Public Library Board
From:	City Librarian

SUMMARY

At its meeting on November 21, 2011, the Library Board considered the report *2012 Operating Budget – Budget Suggestions* and approved several Budget Committee suggestions for increasing revenue. The City Librarian was requested to report back on a number of these suggestions including the feasibility of: *a) partnering with Overdrive, or another appropriate partner, to sell eBooks online through the TPL website, and b) a retail function for book sales on the library website, including potential partnerships with existing retailers.* This report responds to this request.

As part of the investigation into selling eBooks and other materials online through the Library's website, an environmental scan was conducted which revealed that library retail affiliate programs are very new, and based on the available information, library revenue from any of the programs has been modest.

The environmental scan provided examples of some options to consider, including developing a TPL-based affiliate retail program. The goal of an affiliate retail program based with TPL is to build traffic and purchasing on TPL's website providing Torontonians with the opportunity to buy locally and invest directly in TPL. Other options exist, such as entering into an affiliate retail program through a third party; however these do not offer as much control or potential revenue opportunities.

In addition, a new development in Canada has emerged from the work that is underway to improve Canadian libraries' eBook service that complements a TPL-based affiliate program: the Canadian Urban Libraries Council (CULC) is partnering with eBound, the Association of Canadian Publishers' eBook arm, to pilot a made-in-Canada eBook lending and purchasing platform. This platform will also provide a retail option for customers to buy material in all formats through national and local affiliate vendors. CULC and eBound Canada issued jointly an RFI for the development of the platform for a one-year pilot project. The RFI was issued at the beginning of June with a start date of January 2013 for the pilot project. TPL will participate in this pilot project, however, there is no confirmation the retail option will be included in the first phase.

Based on all these considerations, it is recommended that TPL develops its own affiliate retail program that is integrated with the Library's website so that a 'buy it' option appears with all materials and customer traffic remains on the TPL site. An RFI has been issued to gather information about a TPL-based affiliate program. The information will help define the scope and other details of such a program. This program would be introduced as a one-year pilot project with an evaluation conducted at the end of the first year. If successful, it would become an ongoing feature on TPL's website.

At the same time, the Library will continue to participate in the CULC/eBound joint venture to develop a Canadian eBook-lending platform that will include a customer buy option for all formats and participate in the assessment of the results of their pilot project.

RECOMMENDATIONS

The City Librarian recommends that the Toronto Public Library Board:

1. develops its own affiliate retail program directly with retailers; and
2. authorizes and directs the appropriate Library staff to take the necessary steps to give effect thereto.

Implementation Points

With the evolving nature of public library participation in affiliate retail programs, an RFI was issued to gather information from potential vendors. Pending Board approval, staff will then take the necessary steps, using the appropriate procurement tools, to implement affiliate retail relationships through the Library's website.

As part of the implementation, it will be necessary to make technical adjustments to the Library's website and the display of catalogue records to incorporate the 'buy it' button and online linkages to affiliate retailers as appropriate. The plan is to start the pilot project in the 4th quarter 2012. Upon completion of the first year, an evaluation will be conducted.

FINANCIAL IMPACT

Staff time for developing and implementing an affiliate retail program for TPL can be incorporated into existing work plans; there are no technical costs associated with the introduction of an affiliate retail program because the underlying technology already exists.

It is difficult to estimate revenues. Existing public library affiliate programs have generated modest revenues to date.

The Director, Finance and Treasurer has reviewed the financial impact statement and is in agreement with it.

DECISION HISTORY

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ISSUE BACKGROUND

Public libraries are in the early stages of implementing a few different affiliate retail models to generate revenue. An affiliate retail program is a business arrangement between a vendor and another party (such as the Library) where the former compensates the latter for linking customers to the vendor's website when a purchase(s) is made. Amazon was an early adopter when it launched its affiliate program in 1996. Westminster Libraries and Archives in the U.K. have been in an affiliate program with Amazon since 2005 and are now making approximately £100 per month.

Some affiliate programs are through third parties, such as Overdrive's WIN Catalogue. With the Overdrive WIN program, the link to an online bookseller is made on Overdrive's site not the Library's. The relationship is between Overdrive and the retailer, not the Library and the retailer.

A few small libraries provide a single, general link to Amazon and Barnes & Noble on their home pages and receive a token commission.

Douglas County Libraries in Colorado has its own affiliate retail program arranged directly with retailers, which gives customers the option of buying any available title in all formats from retail chains and a local independent retailer. The links to these retailers are made directly from Douglas County's site.

COMMENTS

TPL Based Affiliate Retail Program

The goal of a TPL-based affiliate retail program is to build traffic and purchasing on TPL's website providing Torontonians with the opportunity to buy locally and invest directly in TPL. This approach is recommended. It is in TPL's economic best interest to implement a TPL-based affiliate retail program because:

- Customers will be able to buy from a much larger quantity of material because all available titles in all formats will be offered through links in the library catalogue to affiliate vendors at both the national and potentially local levels;

- By selling a wide range of material through the catalogue, there is greater potential to earn more revenue than by selling a more limited range of material through a third party program;
- The Library's commission on sales is not determined by a third party;
- With over 1.6 million monthly website visits, TPL's size and profile is leveraged, providing greater potential to generate traffic and purchasing through TPL's website than a third party site.

The implementation of the affiliate retail program will occur around the same time the Toronto Public Library Foundation will be providing opportunities for customers to provide financial support for the Library's collections through 'donate now' promotions on the Library's website.

Overdrive WIN Catalogue

Overdrive, the dominant vendor of downloadable eContent to public libraries, provides a retail option through its WIN Catalogue that allows customers to buy eBooks and eAudio books from affiliate vendors through its download site. When a customer selects a title, there is a *Buy It Now* button on the page if the eBook or eAudio book is available to purchase. If the customer chooses to click on the *Buy It Now* button, they are taken to the vendor's website where the transaction is completed.

There are a number of problems with this program:

- **No Revenue** – Libraries receive 6% of sales in Overdrive credits, not money. This is not negotiable and is not actual revenue although funds budgeted for purchasing eContent could be reduced. Overdrive would not share any revenue figures or give possible projections. New York Public Library (NYPL) reported earning \$22 in credits in the first month of the program. Revenue potential is restricted because exposure to the buy option is limited to Overdrive customers and only eBooks and eAudio books are available.
- **Customers are redirected away from TPL's website to the Overdrive site** – There are over 1.6 million monthly visits on TPL's website. With the goal to build traffic and purchasing on TPL's website, it is counter-productive to redirect customers away from TPL's website to an affiliate program established by a third party.
- **The lack of a Canadian affiliate** – The only affiliate vendor for Canadian libraries is BooksOnBoard, a large U.S. eBook and eAudio book online retailer.

CULC/eBound Project

The CULC/CBUC Task Force on eBooks was formed in 2010 to deal with the challenges of content, discoverability and pricing related to eBooks in public libraries. TPL staff was involved in establishing the Task Force and have participated from the beginning. The Task Force has been involved in ongoing discussions with Canada's publishing industry, specifically the Canadian Publishers Council (CPC) and the Association of Canadian Publishers (ACP).

The CPC represents international publishers with Canadian operations and the ACP Canadian-owned and Canadian-based publishers. A better joint understanding of both the libraries' and publishers' issues has resulted and there is general agreement that a made-in-Canada eBook lending and purchasing platform is mutually beneficial. CULC and eBound (the ACP's eBook arm) has issued an RFI to identify potential partners interested in developing an eBook platform for a one-year pilot project to start in January 2013.

As well as allowing libraries to purchase eBooks from multiple vendors and permit patron loan transactions to take place within a library's catalogue, the plan is to have a platform that provides a buy option for customers. Customers will be able to buy available titles in all formats through links in the library catalogue to affiliate vendors, both national and local. However, there is no confirmation the retail option will be included in the first phase.

The Library has been a strong supporter of a made-in-Canada eBook platform due to the significant limitations of the Overdrive service so would have participated in this pilot project in any case. The proposed buy option complements and has the potential to enhance a TPL-based affiliate program by making an even broader range of material available to purchase.

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SIGNATURE

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