Borrowing Library Books Online:

A Study to Establish Potential Demand

Research Findings and Recommendations

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Report produced by
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In Association with Customer Interpreter

Borrowing Library Books Online: A Study to Test Potential Demand

Contents

1. Executive Summary

MLA is investigating the concept of online book-lending and commissioned this research to gauge user reaction: the likely price-range different groups may be willing to pay for the service, preferences in delivery options and a view on likely levels of usage.

Estimating demand for a new product is never an exact science. Humans are complex creatures affected by many factors and often slow to respond. For example, it took ten years for cash machines to be taken up by many banking customers, despite the obvious convenience. People do not always expect themselves to behave as they do either. Market research demonstrates that they loved new Coke but it failed dismally, whereas the Sony Walkman was hated in research but was a great consumer success.

Nonetheless, a process including a thorough feasibility study, such as has been conducted by MLA, combined with the consumer insight generated by this report is the right way to start the process of developing a successful service product. Possible next steps could usefully include a pilot to test real-world consumer reaction. Any deployment of an online book-lending service would need to be accompanied by the careful development of a marketing and communications strategy to get the right message across to the most interested people.

1.1 The bottom line
Library Loans Online (LLO) is not for everyone, some people are not interested in books, some would not wish to do without the social experience of a library or bookshop, some are wary of the internet, some prefer owning books over sharing them. However, of the 220 people involved in our qualitative research process[1] an encouraging 33% said they were interested in the LLO concept. The sample was diverse and it might be reasonably expected that in a national context, with the economies of scale afforded by a service that does not have to be bound by geography, the numbers indicated by this early research show sufficient interest levels to support the next stage of testing.

1.2 Critical success factors
In order for the concept to work, it must meet the 21st century consumer's expectations of service, efficiency and innovation. They are accustomed to Amazon, Lovefilm and high quality delivery in book shops. The customer experience needs to reflect those competitors rather than being just an extension of the existing library. This will require new ways of thinking and operating to create a successful launch. As Jeff Jarvis's recent book asks "What would Google do?".

The essentials for the customer experience to meet expectations include:
- Easy, flexible delivery and pick up mechanism tailored to the needs of the user;
- Reasonable price as the service will be offered to library users accustomed to "free" book borrowing from libraries and to non-users comparing this option to the availability of cheap books in supermarkets, charity shops and online retailers;
- A good range of books, especially re-availability of new books;
- Add on features such as reviews, user-generated content, book clubs, and recommendations.

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[1] See 3.2 Research activities

1.3 Next steps

In order to build on this knowledge we propose a range of recommendations within this report (see section 6) including:

- Identifying an area of the country in which to run a pilot to develop and test logistics and to listen to consumers in order to refine the offer;
- Specialist research: there are some particular audiences e.g. visually impaired, ESOL that will benefit from a tailored solution based on their needs – we recommend a focused research project for such groups;
- Marketing and communications strategy: however good the product, it will still be critical to address consumers in a meaningful way to convince them to risk trial (any new experience is a risk). Our language analysis already reveals that the key messages and motivational stance is different for users and non-users. Further work is needed to develop that into a marketing and communications strategy based on effective targeted messages.

1.4 This report

The rest of this report describes the qualitative and desk research that has been used to reach the conclusions above. It explains in much more detail how people reacted and what the implications are for the project.

2. Background

Hopkins Van Mil, with Customer Interpreter as Associates, were commissioned by the Museums, Libraries and Archives Council (MLA) in September 2007 to carry out a study to test potential demand for public library loans being made through an online service with books then being delivered direct to the borrower. A feasibility study was commissioned by MLA in 2007 to examine the views of library sector experts, practitioners and suppliers which found a generally very positive view on the potential for such a scheme.

2.1 The LLO concept

Library Loans Online would, in its initial stages, focus on borrowable books held in public libraries in England. CDs and DVDs might be considered for inclusion at a later date. The proposal put forward in the original feasibility study[2] was that books would be packaged at the lending library and sent direct to the borrower's specified address. The borrower would pay for return postage and packing (then estimated at £3.49 per transaction). LLO would be available via the internet; with a simple user front-end and basic as well as advanced inter-library catalogue search facilities; users are authenticated before proceeding with reservations; and it would have transactional functionality to allow the borrower to submit and pay for a loan.[3]

The feasibility study demonstrated that LLO appears to be technically and financially feasible and widely wanted among the library stakeholders consulted. However to inform a detailed and fully costed business case a need was identified for additional research to gauge the likely appetite for such a service amongst users.

2.2 Policy context

LLO is complementary to both Gershon's public sector efficiency review and *Strong and Prosperous Communities*, the Local Government White Paper agenda[4]. As stated in the Feasibility Study, it potentially provides improved quality of service to customers; wider and more efficient access to services; an opportunity for re-shaping library services to make effective use of technology in response to the needs of citizens; and an opportunity for more efficient working including partnership working and new models of delivery.

MLA's Action Plan for Public Libraries[5] contains four key challenges, two of which are 'Innovation' and 'Digital Change'. These two challenges articulate the need for 'new models of service' and for harnessing 'digital opportunities' for 'digital consumers'. The plan also states that the best libraries 'innovate and adapt to new working methods' and 'ensure that sustainability and improvement is at the heart of what they do'. Investigating the potential of LLO is part of this work and is central to other important themes such as general modernisation, better management and efficiency of services, and broadening library access.

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[2] See footnote 1
[3] Library Loans Online, Feasibility Study (MLA, 2007), p.4-5
[4] Releasing resources to the frontline – Independent review of public sector efficiency (Sir Peter Gershon, CBE, July 2004); Strong and prosperous communities – The Local Government White Paper (Department for Communities and Local Government, Oct 2006)
[5] MLA, May 2008

2.3 Objectives of this study
This current study is intended to test the views of potential public library users and non-users by examining three specific objective areas:
- The likely levels of usage for the next 5 years (2008-2013);
- The likely price-range different groups may be willing to pay for the service;
- Preferences in delivery options available to users.

In carrying out this work Hopkins Van Mil and Customer Interpreter (the Project Team) worked with an Advisory Board which met three times in the lifetime of the study including the inception meeting. As the Project Team and the Advisory Board met the research programme broadened and this final report encompasses a larger set of questions than those originally set in the brief including how people feel about public libraries and online shopping; general perceptions of the concept and reactions of specific groups to it; hygiene factors for success; and optimising the service.

2.4 Methodology
Hopkins Van Mil's study focused on primary and secondary research, to provide MLA with an insight in to the likely levels of usage, as well as the wider societal context in which LLO will need to establish a market position. The Project Team used desk research to consider the reasons behind the success of large online services selling or renting items available in libraries: LOVEFiLM, the UK's largest DVD rental service; and Amazon, renowned for its online book sales. We also examined the rise of Google as the world's largest search engine to understand what LLO users might expect.

Appendix 1 provides a bibliography for the desk research carried out in phase one of the work, which has informed our primary research and the recommendations contained in section 6 of this report. Appendix 2 gives a detailed table of primary research activities the aim of which was to test the views of both current library users and non-users based in both rural and urban environments. Hopkins Van Mil's approach was qualitative using strategies which would capture responses to the idea in the most effective way possible. The total sample size was 220 captured in three main ways:

- Four physical focus groups held in Street in Somerset for library users and Pocklington in Yorkshire for library non-users, both covering rural participants. To reach those in urban locations a focus group was held in central Manchester for library non-users and another in Peckham, South London for library users.
- Two online focus group (Synthetron) sessions included both urban and rural participants; one focused on library users the other on non-users.
- A field study during which people were stopped in the street, or appropriate sites in London, Norwich, Cheshire and Leeds to build on the previous activities to capture the views of those in Shire, Metropolitan, non-Metropolitan and unitary Local Authorities.

In each stage of the research we built on the previous step to interrogate and refine the findings to ensure they answered the project's objectives. It should be noted that we are finding a higher percentage of people warm to the LLO concept in both the field study and the physical focus groups than in the online focus groups. This can be explained by the fact that people are much more likely to be openly critical of a concept when they do not have to have face-to-face contact with the interview facilitator. We have therefore drawn our conclusions based on a balance between all research methodologies.

2.5 Market segmentation

The MLA and project teams agreed on a set of market segments (see figure 1), on which to test the Library Loans Online concept. A proportion of these are explored in more depth in Appendix 10 in which four pen portraits have been drawn for segments for whom the service was seen as having a particular resonance. The segments were tested in both rural and urban setting unless described otherwise.

Figure 1

3. Context illustrated through desk research

3.1 The market context

The context in which LLO would be launched is rapidly changing in favour of a greater take-up of online services. According to the latest figures millions of library users are logging in from the comfort of their own home to renew a book, search library catalogues, use reference resources, or to check on events and activities. Although the number of physical visits was down by 2.6% in 2007/2008 compared to the previous year to just over 328 million, the number of library web visits increased by 19%.[6]

21st century consumers are very much interested in online rental of entertainment. From its inception in the USA in 1999 the online DVD rental business grew by 2% in 2004 and consumer spend is expected to have grown by 33% in 2009. A report by Screendigest[7] demonstrates that the UK dominates the European market, followed by Germany. In 2005 it was expected that by 2009 more than half the UK's rental transactions and rental spending would be online. Whereas in 2004 online rental made only a little more than one fiftieth of total consumer spending across key European markets, it was forecasted that a dramatic flourishing of the market would bring that proportion to over one third of the total online spending by 2009, figures that are now backed up by Foreseeresults in their analysis of online consumer behaviour over the last Christmas period.[8]

3.1.1 The convenience of 24/7 access

Archive users seem to be the early adaptors of online services in the MLA sector with 55% of archive users accessing web-based archives without ever visiting the archive's physical site. Recent research by Javier Stanziola identifies that the growth of virtual / online communities and the changing nature of ICT will impact on what consumers need from the MLA sector in ten years time.[9] He demonstrates that one of the social drivers for change in the MLA sector is an evolving pattern of interaction between peers, family and neighbours as community ties become weaker in response to increased personal mobility, an extending virtual world and the 'always on' society.

Uptake of services abroad similar to LLO is encouraging. Usage of the Danish Books to Your Doorstep Now increased by 50% between 2003 and 2007[10] and in Montana (USA) a pilot home delivery scheme was such a success that users from outside of the pilot area signed up to library cards in order to obtain access to the service[11]. 70% of the users of the online borrowing pilot in Montana said they chose home delivery because of its convenience.

From published research into the attitudes and behaviour of 14-35 year olds with regards to libraries we learn that there is a dramatic difference between internet usage of under-20s and 20-35 year olds. For under-20s the internet is a multi purpose

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[6] Cipfa Library Statistics 2007-2008
[7] The outlook for on line DVD rental (Screendigest, 2005)
[8] www.foreseeresults.com (20 Jan 2009)

[9] What will consumers need from the MLA sector in 10 years? (Stanziola, J, MLA 2008)
[10] Books to Your Doorstep Now – the Danish Home Delivery Service (Poul Erlandsen, National Library of Education, Denmark, 2007)
[11] Montana NCIP Home Delivery Report (OCLC Delivery Services, 2008)

resource used for relatively long periods of time (2-3 hours) to simultaneously enjoy entertainment, carry out tasks and participate in instant messaging. For 20-35 year olds the internet is a functional resource. They use internet in a small window of time to get tasks done (email/ music/ downloading films, music and files/ shopping/ banking/ sourcing lifestyle info). For the entire 14-35 segment increased accessibility of libraries via electronic access is extremely important. A 24/7 library for remote use was rated as likely to be very useful. [12]

3.2 Successful online business models

To better understand what online consumers expect in this day and age Hopkins Van Mil's desk research has focussed at two successful online business models: LOVEFiLM and Amazon. Both LOVEFiLM, the UK's largest DVD rental service; and Amazon, renowned for its online book sales, have increasing sales figures despite the economic recession. The companies have managed to build on the latest consumer trend 'staying in is the new going out'. LOVEFiLM has seen its membership increasing with 40% since the credit crunch. LOVEFiLM began as an online DVD rental service in the UK and has evolved into Europe's largest addressable film community with nearly 700 thousand household subscribers. LOVEFiLM works in partnership with major companies including Tesco, easyGroup, CD WOW!, Guardian Newspapers, WHSmith, Odeon and Vue Cinemas. In 2008 it took over Amazon's DVD rental service and its website is one of the UK's top three entertainment sites with over 2.5 million unique users each month. What matters to LOVEFiLM customers is value for money; choice; quality; speed of delivery; innovation; customer service.[13]

Amazon was one of the first big companies to sell goods over the Internet. The company was founded by Jeff Bezos in 1994, and launched in 1995. They started out as an online bookstore and then quickly added new items to their stock: software, electronics, video games, toys, and home improvement items. Following a period of substantial fiscal loss and efficiency savings in 2001, Bezos looked at ways to develop new business. He recruited other companies to sell their products online through Amazon, which turned out to be a lucrative move. Amazon is one of the most popular online vendors in the world today.[14]

3.2.1 Constant innovation

Successful online retailing seems to hinge on constant renewal, change, and feeding into what the customer wants. What Amazon and LOVEFiLM have in common is a drive to innovate and improve the customer experience. LOVEFiLM features at the top of the UK DVD rental market not only in customer numbers but especially when it comes to innovation. They're not only offering DVD and game rental and a large collection of Blu-Ray titles but have also embraced the consumer appetite for downloadable films. Referring to LOVEFiLM's stock of over 2000 downloadable movies a DVD rental comparison website said: 'We strongly suspect this is the beginning of the end for DVD-by-post. LOVEFiLM once again is leading the pack'. [15]

In this context it is interesting to bring search engine Google's point of view into the picture. Google's corporate philosophy is contained in 'The ten things Google has found to be true'.[16] One of them is 'Great isn't good enough', reflecting a never-stand-still

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[12] Define Research & Insight: A research study of 14-35 year olds for the future development of public libraries (2006)

[13] 'Award for LOVEFiLM', The Sunday Times tech track 100, compiled by Fast Track (Sep 2008)

[14] The History of Amazon.com, Michele Fair, Pagewise, published via www.eSSORTMENT.com (2002)

[15] www.choosedvdrental.co.uk

[16] www.google.com/corporate/tenthings.html

philosophy which is vital in the competitive world we live in. Looking at what libraries can learn from Google's philosophy Frederick Nesta in Library Journal[17] emphasised a number of other Google rules. 'It's best to do one thing really well'. Google does search and it constantly improves its search engine and uses its research to develop new products.

3.2.2 Customer focus
What LOVEFiLM, Amazon and Google have in common is that they, like many online entertainment/ shopping services, build on a consumer trend which is characterised by time-poor customers who like to be told what they would like and are offered a service that makes it easy for them to get what they want. Google's first golden rule is 'Focus on the user and all else will follow'. Both LOVEFiLM and Amazon tailor their offers according to the data they have gathered by tracking customer navigation. They also encourage an ongoing dialogue with their customers, always personalising every communication. LOVEFiLM's variety of packages is based on consumer feedback and includes light use/ heavy use plans with free postage; a 'Try before you buy' free trial period; and - the latest: pay-as-you-go[18].

According to Jeff Bezos, founder of Amazon the companies 'Six Core Values' are the basis for its success: customer obsession, ownership, bias for action, frugality, high hiring bar and innovation. 'Our vision', he said, 'is the world's most customer-centric company'. In an interview with the American Academy of Achievement[19] Bezos said: 'We have the right kind of culture that obsesses over the customer. If there's one reason we have done better than most of our peers in the Internet space over the last six years, it is because we have focused like a laser on customer experience, and that really does matter, I think, in any business. It certainly matters online, where word of mouth is so very, very powerful. If you make a customer unhappy they won't tell five friends, they'll tell 5,000 friends.'

Focus on the customer also means flexibility in delivery options (Amazon offers next day delivery as well as 3-5 working day options) and – in the case of LOVEFiLM – no late fees ever.

3.2.3 Community driven content generation
Amazon's book sales are disproportionately weighted towards harder-to-find titles. Bezos' passion for books is at the basis of the online community he has created. He said: 'We not only help readers find books, we also help books find readers, with personalized recommendations based on the patterns we see.'[20]

Similarly, LOVEFiLM has managed to create one of the largest online communities of film watchers. Nearly half a million of the membership share their views on films, values and interests through film ratings, reviews and blogs. A highly personalised service ensures customers have a sense of belonging. When logging on they are greeted using their first name, and viewing tips are based on a personal film list and suggestions from the community.

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[17] Google Your Library's Mission - What librarians can learn from Google's corporate philosophy, Frederick Nesta, Library Journal, 6 January 2006

[18] See previous footnote
[19] Jeff Bezos Interview (American Academy of Achievement, May 2001)
[20] 'The Zen of Jeff Bezos', WIRED magazine, issue 13.01 January 2005

Content generation is a driver for growth in the online world. In January 2009 Jeff Jarvis published 'What would Google Do?' in which he explores the rules behind Google's rise. Jarvis uses sample industries as illustrations of how to adapt Google's rules in order to become more successful. In an interview with Norman Oder from Library Journal Jarvis explained that he didn't write about libraries because libraries and Google act similarly in many ways already. In Jarvis words: 'It is the mission of both to organise the world's information, to make it openly accessible, to find and present the most authoritative (by many definitions) sources, to instil an ethic of information use in the public, to act as a platform for communities of information, and to encourage creation.'[21] 'If libraries were thinking more like Google' he continues, 'they would establish themselves as a platform for the community to inform itself by providing tools and training for content creation'. The library as a platform that is collecting the wisdom of the community; or librarians and community members who curate the web based on their specific collections and create topic pages that would rise in Google as valuable resources for the world are all options mentioned by Jarvis. He uses the example of a library in Florida that might have the best collection of sources for information on sunburns.

3.2.4 Availability of wide range of stock

Both LOVEFiLM and Amazon are renowned for their wide range of film and book titles. Amazon offers access to out of print books through their collection of second-hand books. LOVEFiLM stocks nearly 70,000 titles including games, downloads, and the latest DVD technology. If customers manage to find a UK-released DVD that is not in the LOVEFiLM collection they source the DVD in days and send it on to the client, which is why LOVEFiLM subscribers give the company the thumbs up for their title range.[22] Successful online retailers such as LOVEFiLM and Amazon build on Chris Anderson's concept of 'The Long Tail'.[23] They have overcome the limitations of geography and scale and discovered new markets in the niche. The average Barnes & Nobles bookstore offers 130,000 titles whereas more than half of Amazon's book sales comes from outside its top 130,000 titles. Amazon and LOVEFiLM's recommendation service notes patterns in buying behaviour and suggests titles, which means that titles that would in the past have remained untouched now get exposure and allow customers to discover their own niche. In the Long Tail you can find every available title.

For LOVEFiLM the availability of top titles is the Achilles heel of the whole business model. Consumers rate this aspect of the service as 'not super'[24]. Inclusion of top choices in your rental queue might mean that you would be waiting for the latest film for more than six months.

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[21] Norman Oder, Jeff Jarvis interviewed, Library Journal, 22 January 2009

[22] www.choosedvdrental.co.uk
[23] Chris Anderson, WIRED, issue 12.10 October 2004
[24] See previous footnote

4. Main findings from this research

4.1 Current situation

Participants in the online and physical focus group parts of the research were asked how they feel about both libraries and online shopping currently. These questions were intended to provide the context for their views on the LLO concept. In the online focus group questions were asked about online renting and buying of cds, dvds and books; for the physical focus groups we asked more widely about Internet use. Views on libraries obviously depend on whether or not research participants were library users.

4.1.2 A service for library users

Library users participating in the focus groups described libraries as useful for browsing, research and particularly valued being able to reserve a library book online for collection at the library. For the 57% of the sample who are active library users, a library provides an important social function, particularly for young parents visiting with children. As one father said, 'My main reason for visiting the library is to socialise with my 4 year old daughter. I wouldn't come to the library just to borrow a book'.

> Would this affect the likelihood of the library still offering a place to look at books and turn up in person? This is very important for children especially

Participants discussed the experience of browsing in a library which means they don't have to visit with a choice of book already made, but can make the choice based on what they see during the visit. Younger users expressed a liking for borrowing a number of books at once and 'dipping in' before committing to reading a book in full. For them borrowing a book allows a greater degree of exploration for less commitment than buying one.[25]

> It would be difficult to replicate the browsing benefits of libraries or bookshops so you would have to know what you were looking for

There was also a fear expressed that a successful Library Loans Online scheme would put public libraries at risk of closure, of cutting back on the services which they currently value highly such as inter-library loans, and in some rural cases the mobile library.

> This service must be in addition, for books we can't get locally quickly enough. We don't want to lose our excellent inter library loan system.

4.1.3 A service for non-library users

A library non-user focus group participant in Manchester summed up the feelings of a high proportion of our sample that visiting a library doesn't fit in easily with the busy lives that many members of the public lead. Opening hours are perceived to be longer than they used to be but are still thought to be limited for those working full time. Given that 83% of those consulted described themselves as time-pressed we believe our research supports the theory raised in the feasibility study that LLO could offer a practical solution for those who deal with their busy lives by managing many aspects of it online. For non-library users it will be important that the service offers something new,

> I'm too busy, I've got kids, I have no time to visit a library and no reason to either

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[25] Define Research and Insight, Research study of 14-35 year olds for the future development of public libraries (2006)

not simply an extension of what is available to those who choose to make use of existing public library services. It is important to note here though that a balance needs to be struck between offering a service that is attractive to library users who like the service they receive during their visits, and attracting a new kind of library user, who will not ever be interested in making an in-person visit to their local library.

4.1.4 Online shopping
All participants in the study made use of online shopping to some extent. It was valued for convenience; flexibility; speed and meant you didn't have to pay for add-ons such as petrol, parking and childcare to do it.

> It's time related, I can use it when I'm not busy at work and also late at night getting what I want 24 hours a day

They want their online shopping websites to be reliable and offer a good service. An intolerance to inefficiency was demonstrated and a requirement that the site is secure and keeps personal information and financial details confidential.

4.2 Overall reactions to the concept and levels of interest
As described above this study used qualitative methodologies supported by desk research. The sample size was therefore small, but it nevertheless lends itself to some projections.

Of the 200 plus people that we talked to, including library users and non-users in rural and urban areas, 67% of research participants were warm to the idea (see figure 2), with an encouraging 30% who, in discussing it at this theoretical stage, said they would probably use Library Loans Online. We believe the 30% figure is a clearer indicator of demand, amongst the market segments tested, if the service was launched tomorrow with the critical success / hygiene factors discussed in this report addressed. 67% we see as being the concept's potential success rate, amongst the market segments tested, if the barriers to use are completely overcome and, critically, an effective business model with concurrent marketing and communications strategy is set in place (see section 5).

National Demand: all research participants

33%

67%

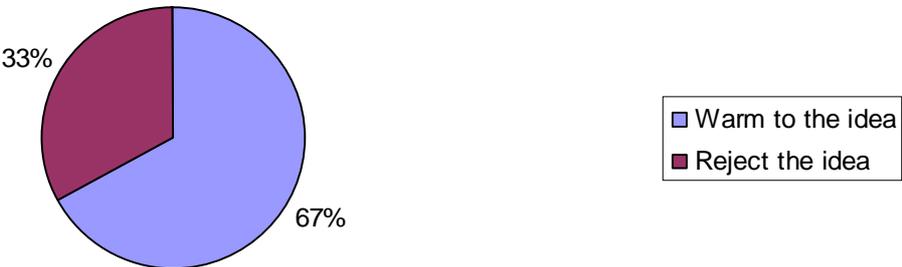- Warm to the idea
- Reject the idea

Figure 2

If we look at this in detail we can see differences between perceptions of the service between library users and non-users. These are set out in figure 3 over the page.
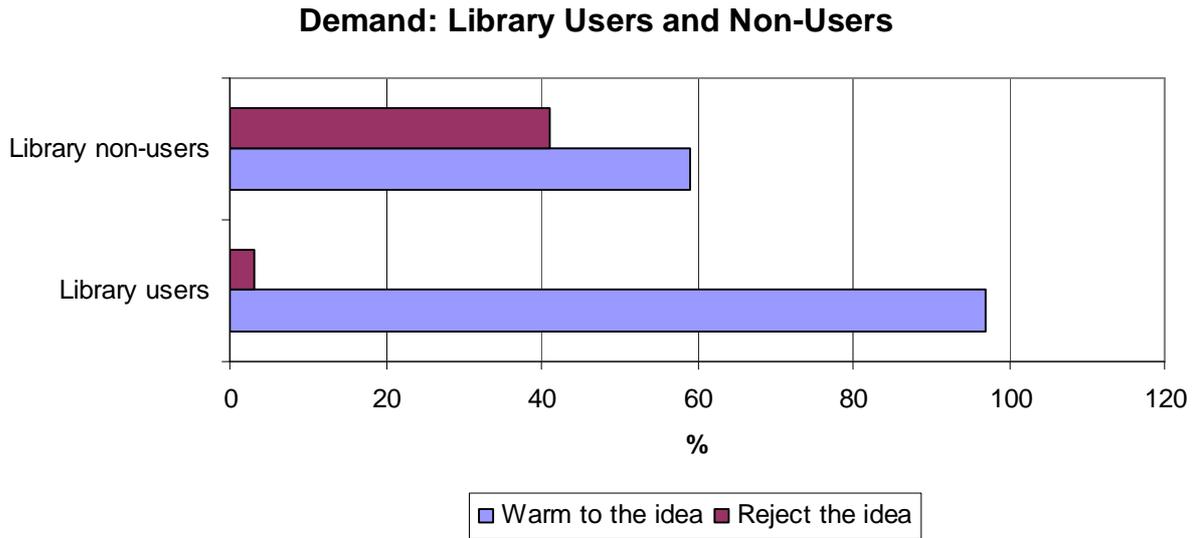
Demand: Library Users and Non-Users

Figure 3

The research activities undertaken in the study included both rural and urban participants. Figure 4 below shows the breakdown between the two.

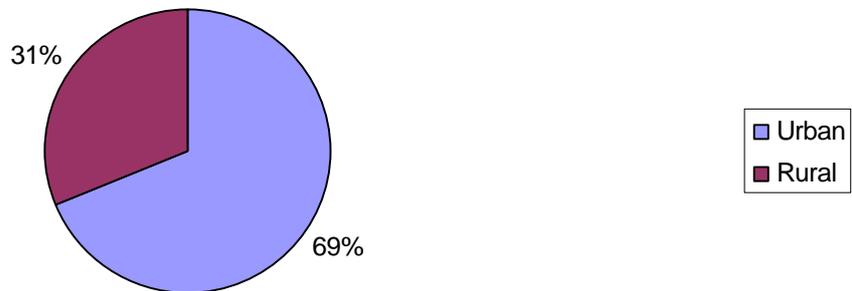## Urban and Rural Research Participants

Figure 4

If we consider the differences between interest in the idea among rural participants and urban participants (figure 5) in the study we see both groups can see the benefits of the service.
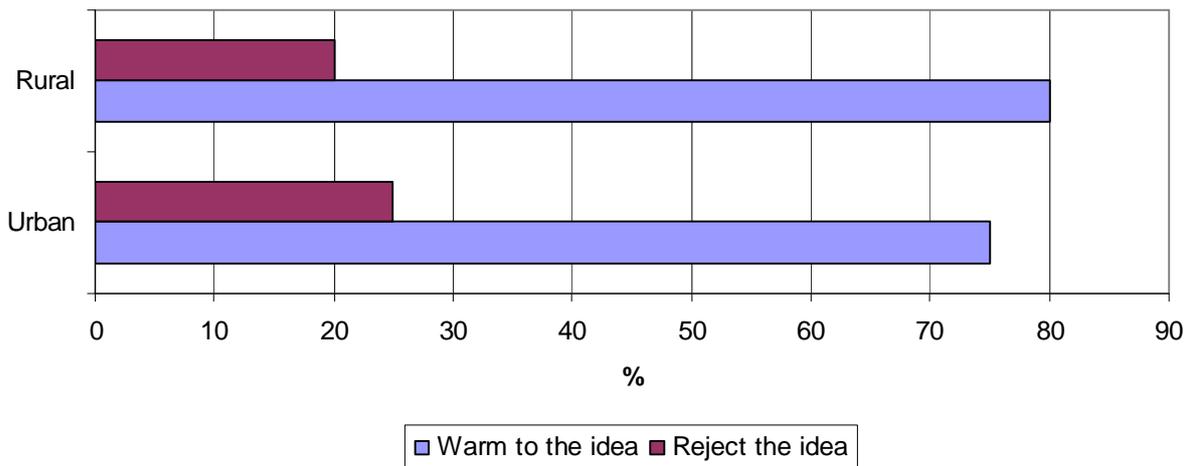
Demand: Rural and Urban Participants

Figure 5

4.3 Positives and negatives and reactions of specific groups

In this section we examine positive and negative perceptions of the proposed service, considering them in relation to specific groups of people across all the research methodologies. Figure 1 on page 6 explains the market segmentation used in the study, while Appendix 10 proposes a sample of pen portraits for MLA to use and build on when designing the business model around effective marketing strategies.

4.3.1 Positive perceptions

During the research participants discussed a range of positive aspects to being able to access library stock through an online service. These are explored in detail in section 4.4 of this report but in general terms people are attracted to a concept which provides them with:

- Convenience;
- Access to a wide range of library stock including rare and specialist publications, particularly those that are hard to find elsewhere;
- Opportunities to receive books when they are first published with no, or very short, waiting times;
- A well designed website which is easy to use and provides additional features only available to online library users;
- An eco-friendly service reducing the need to drive to a library;

> It sounds convenient, easy and straightforward

> I don't read much but it would encourage me to read more if it was fast and easy

4.3.2 Negative perceptions

Across all research methodologies negative perceptions of the concept related to:

- Not being able to flick through a book before deciding to borrow it;
- Concerns that the website might not have clear enough instructions for those unused to either libraries or the Internet;
- Perceptions that libraries have punitive late fees;
- Aspects of delivery and return which are covered in section 4.4.

Two other issues highlight the concerns of a significant minority involved in the research. 14% of participants expressed concerns about website security in terms of both payment for the service and the fear of users' email or address details being revealed to a third party.

I'm really concerned about identity fraud

Others raised concerns that the book might be damaged in posting and that they would be held responsible. Linked to a desire for ownership, expressed by a number of library non-users, people said that they would rather buy a paperback book which they could treat as well or as badly as they wished and were concerned about whether or not the book they borrowed would have a protective jacket. Some people spoke about wishing to write notes in the margins of their own books which they couldn't do with a library book. This was much more of a concern for library non-users than users who are used to the concept of borrowing library books.

I'd rather buy my own book otherwise I'm worried about what I'd do with it

There now follows a break-down of the reactions of different groups of participants in the research beginning with male and female reactions to the proposed service.

4.3.3 Gender
The sample comprised 62% female and 38% male participants. There are no significant differences between the likely take up of LLO by men and women. Figure 6 shows us that women are slightly more convinced than men (29% of women versus 27% of men saying they would probably use the service) and slightly clearer about rejection of the concept (20% of women versus 18% of men saying they were not at all likely to use it). In figure 7 we see that both groups have a strong preference for delivery to the door (74% female; 67% male), with 24% of men and 12% of women preferring delivery to another location as they are not at home during office hours and don't want to queue at the post office for collection of library books in the weekend. Figure 8 demonstrates that both genders said the price of £3.49 per transaction was too much; no one said it was too little; and slightly more women than men (22% versus 17%) said £3.49 is just right.
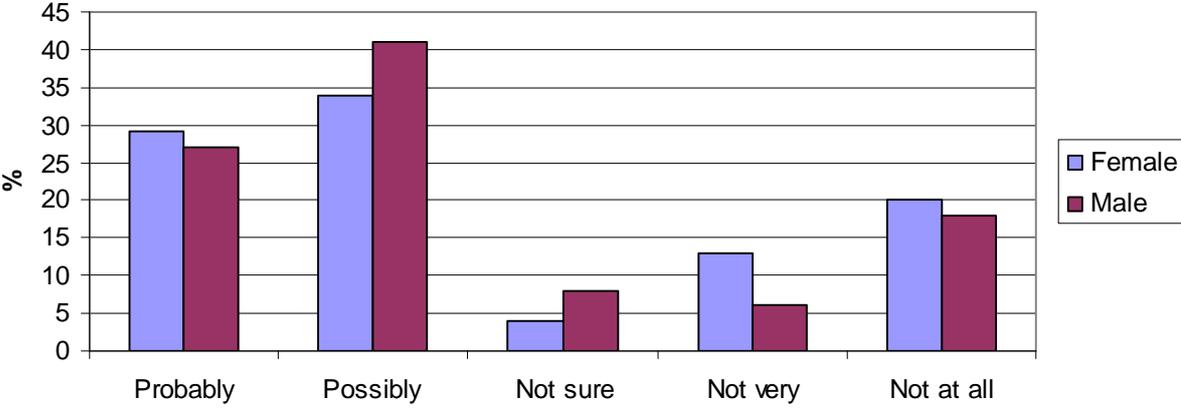
Demand for service: Gender
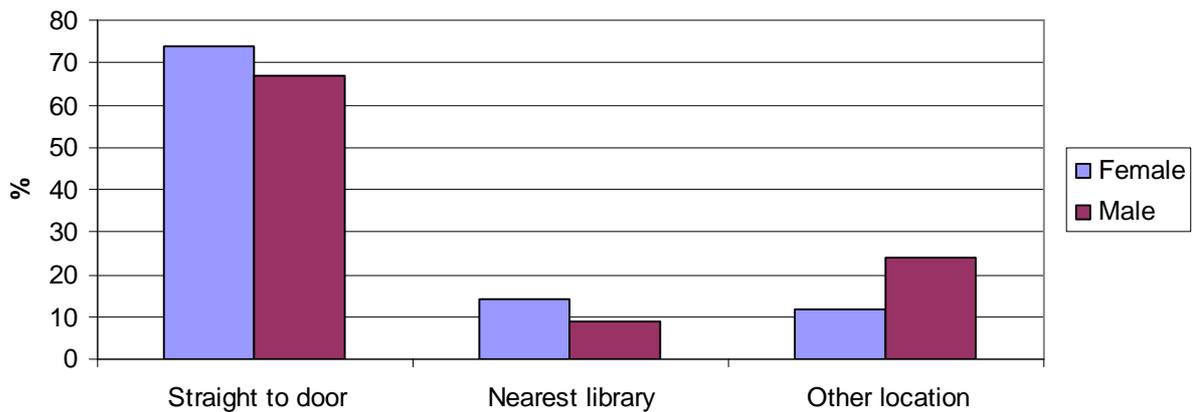

Figure 6

Delivery options: Gender

Figure 7
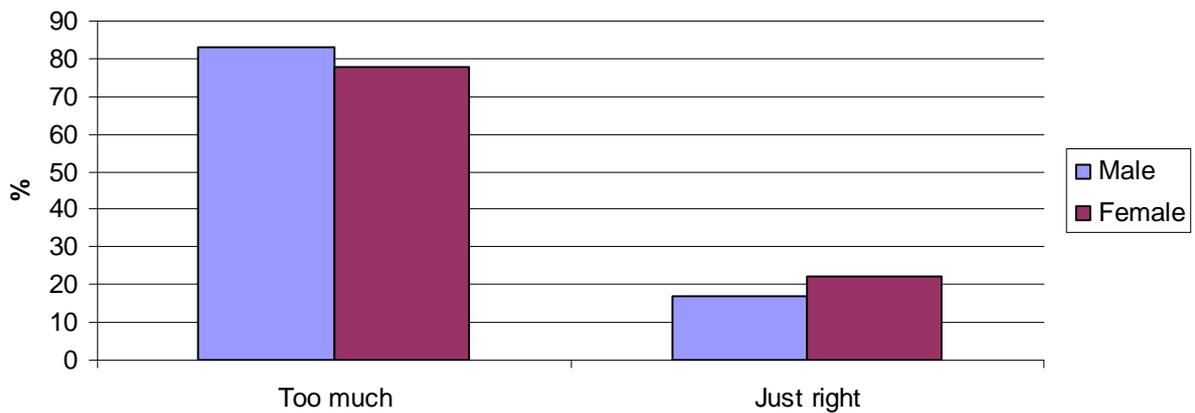
Price Tolerance £3.49: Gender

Figure 8

4.3.4 Ethnicity

The research sample ethnic composition is described in figure 9. Rejection of the LLO concept was greatest amongst the White Other group (33%), which can be explained by the perception most representatives of this segment expressed about the lack of availability of library books in their native language. Rejection by White British is relatively high (23%) compared to rejection by Black/ Black British segment (6%) and Asian / Asian British (0%). The concept was most convincingly embraced by the Asian / Asian British (20% of whom said they probably would use the service / 70% said they possibly would); Black/ Black British (18% of whom said they probably would use the service and 53% said they possibly would); and Mixed Race segments (67% of whom said they probably would use the service). A summary of these findings can be found within figure 10. Figure 11 demonstrates that ethnicity doesn't change the main findings of this study with regards to delivery options: straight to the door is the most popular delivery option across all ethnic segments. The Asian / Asian British, Black / Black British and Mixed race respondents are less interested in delivery to another location than the White British group. There are no significant differences across the ethnic segments in relation to price tolerance. All groups except for the mixed race representation said that they felt £3.49 per transaction is too much, no one said it is too

little, whereas the entire Mixed Race segment (2% of the overall sample) said it is just right.
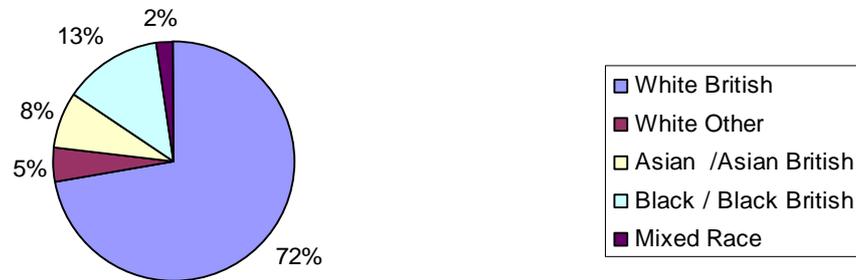
Ethnic diversity in sample
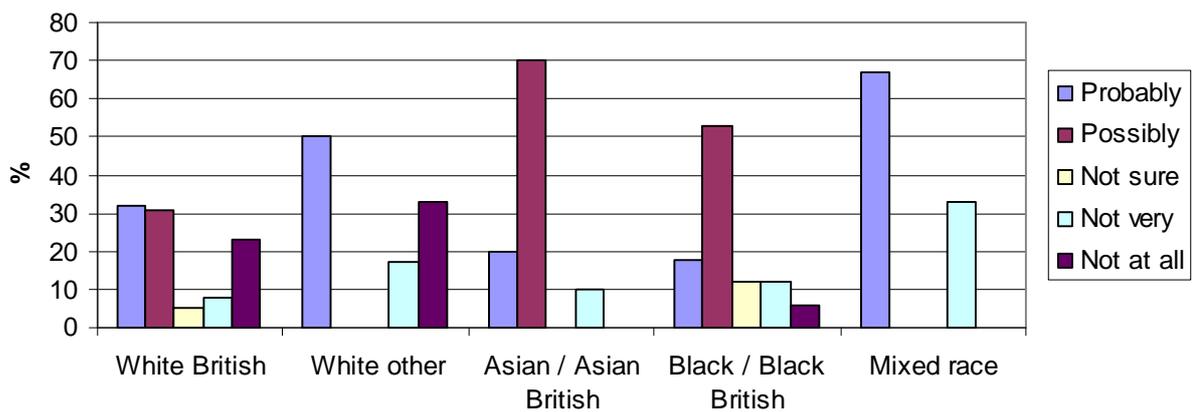

Figure 9

Demand for service: Ethnicity

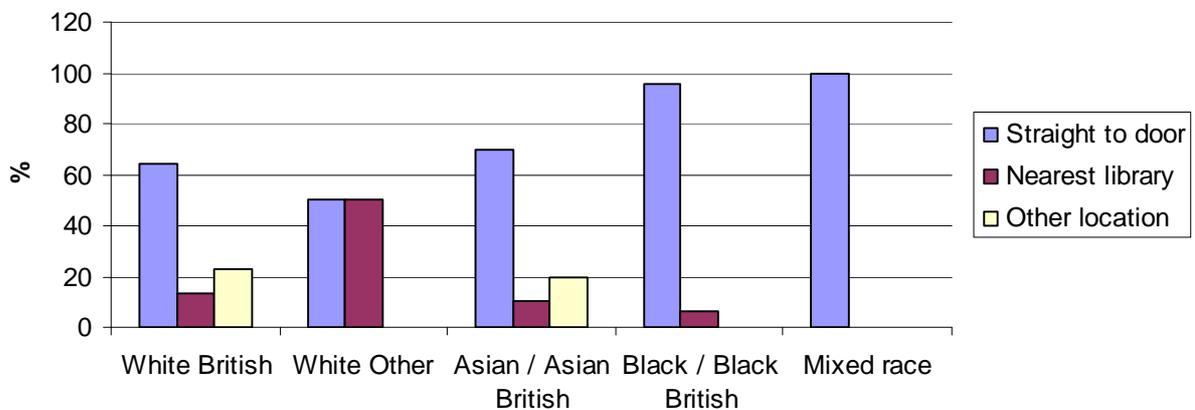
Figure 10

Delivery options: Ethnicity

Figure 11

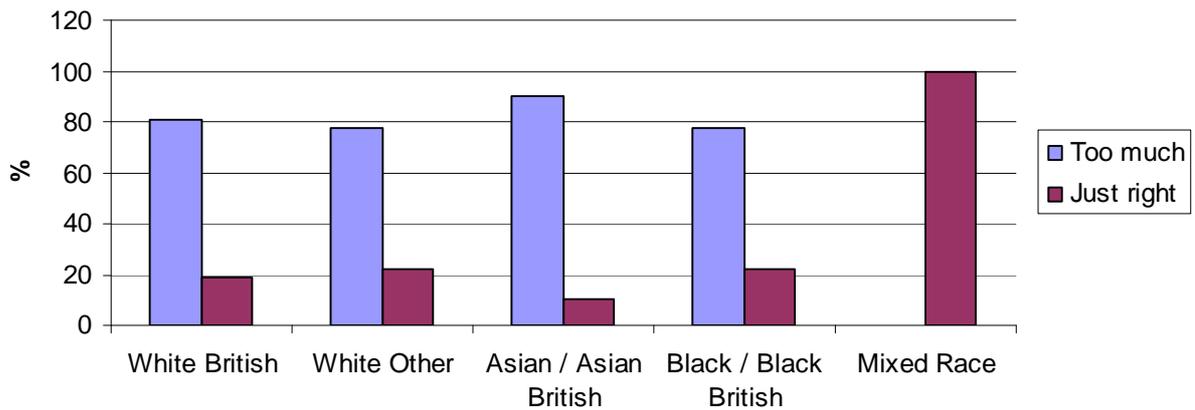## Price Tolerance £3.49: Ethnicity

Figure 12

4.3.5 Managerial occupations

65% of the research sample described themselves as holding managerial positions. Figure 13 shows that 43% of them are possibly interested in LLO, 28% probably, demonstrating that LLO is likely to strike a chord with time-pressed people. Straight to the door is the preferred delivery option for respondents in managerial positions (65%), followed by delivery to another location (33%). Despite higher incomes in this segment, price tolerance is in line with the main findings of this study: 90% said that £3.49 is too much, 10% just right.
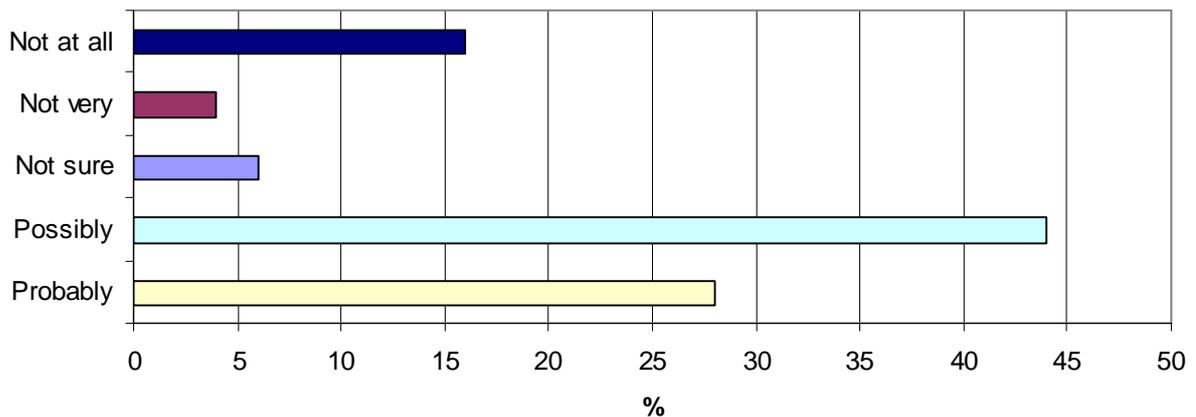
Demand for service: Managerial positions

Figure 13
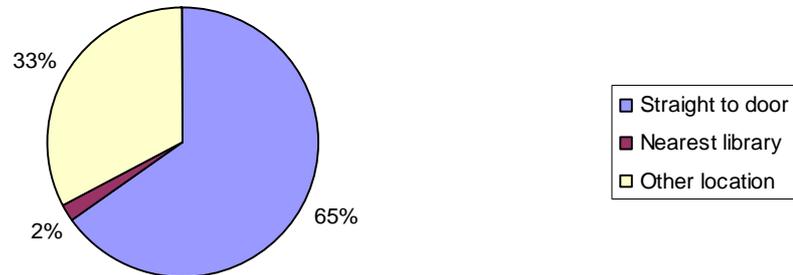
Delivery options: Managerial positions

Figure 14
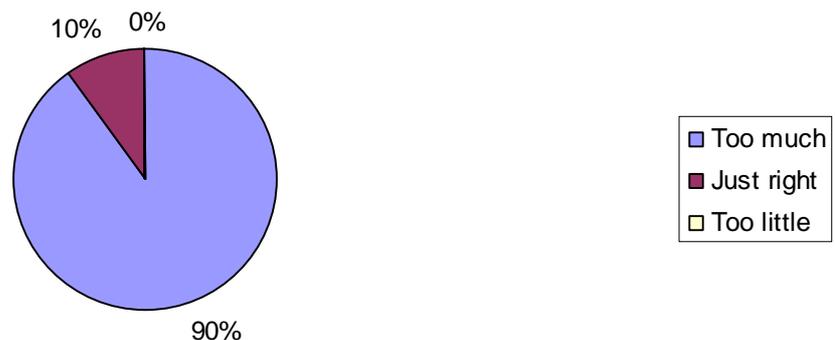
Price Tolerance £3.49: Managerial Positions

Figure 15

4.3.6 Students

Figures 16 and 17 describe the reactions of the 18% of students in the research sample. They are less interested in the LLO offer than those in managerial positions: 24% said they would probably use the service; 32% possibly; and 20% said they were not at all interested. Probed further they explained that they needed access to more specialist books, which they didn't expect would be available through a public library driven service. 90% of students are interested in delivery straight to the door, 5% to a local library, and 5% to another location including the university. Interestingly, price tolerance amongst this group is higher than amongst the managerial group with 75% saying £3.49 is too much as opposed to 90% of the managers.
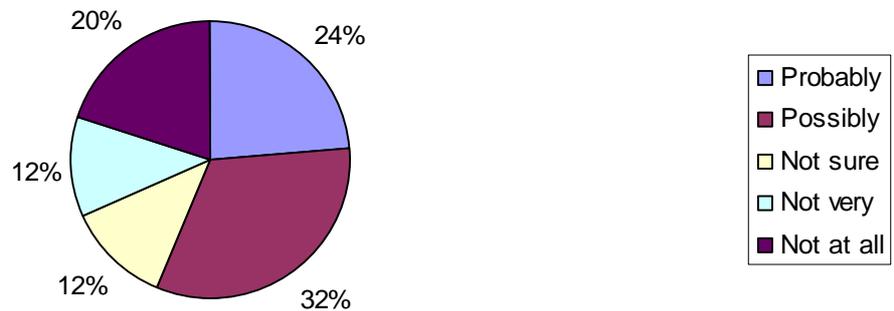
Demand for service: Students

20% 24%
12%
12% 32%

Probably
Possibly
Not sure
Not very
Not at all

Figure 16

Delivery options: Students

5% 5%
90%

Straight to door
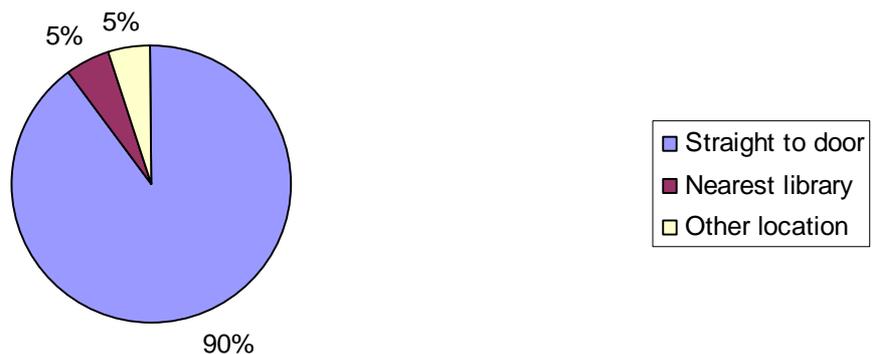Nearest library
Other location

Figure 17

4.3.7 Age
The sample included people from ages 18 to 75 as shown in figure 18. In general terms it was the younger participants in the research who were less interested in the LLO concept, nevertheless, as figure 19 demonstrates, 28% of 18-30 year olds, 37% of 31-50 year olds, 42% of 51-75 year olds and 54% of those who are over 75 said that they would probably use the service. Rejection of the idea was expressed most strongly by 18-30 year olds, 19% of whom said that they were not at all likely to use the service. Figure 20 reveals the reaction to the feasibility study price of £3.49 in relation to age range. All ages found £3.49 too high except in the 51-75 age group, but apart from this there was an increasing intolerance to price the older the participant gets, with 100% of those over 75 saying it was too much to pay.
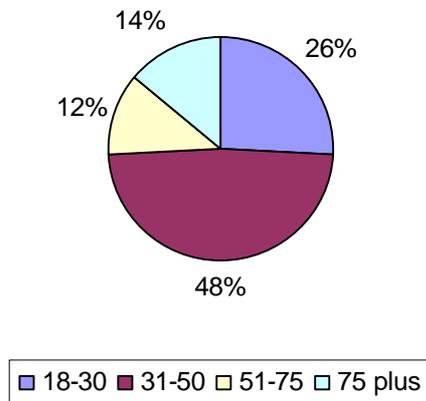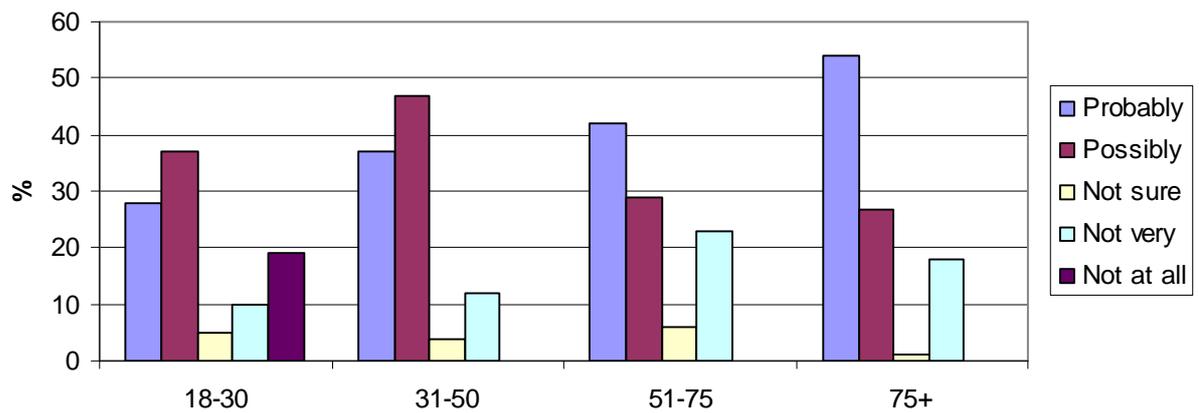
Age of Participants

Figure 18

Demand for Service: Age

Figure 19

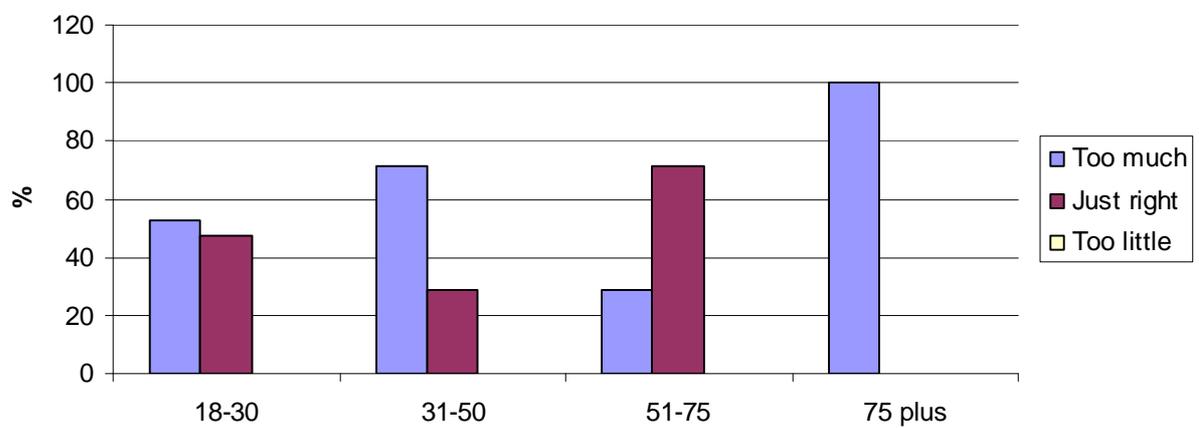# Price Tolerance in relation to Age

Figure 20

4.4 Hygiene factors for success

Fast, efficient and practical delivery and collection mechanisms were seen by all participants in the research as essential to the success of the scheme, and a barrier to participation if these are not clearly addressed at the launch of the service. Within this section we describe the issues raised by participants which are critical success factors.

4.4.1 Clear navigation and support

Ease of use is a basic requirement for all potential LLO users. The service being described in theory in the research process was compared by those being interviewed to other websites with clear navigation and support. Respondents mentioned moving away from a website if it is not instantly clear how to navigate and find what you're looking for. When asked which website they find easy to use people pointed to websites of large retailers such as Amazon, Tesco, Sainsbury's and Gumtree as well as to Ebay.
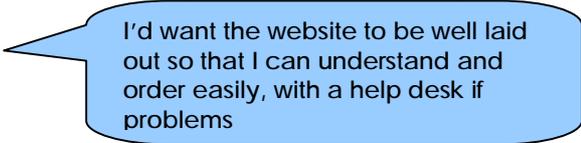
> I'd want the website to be well laid out so that I can understand and order easily, with a help desk if problems

4.4.1 Efficient service, delivery and flexibility

The quotation on the right is from a time-pressed urban library non-user with a busy job and a young family. It is exemplary of a general need for LLO to guarantee delivery of a book within a set time-frame, say 2 days at most. If the service is speedy and effective then that would be a motivator for people with busy lives.
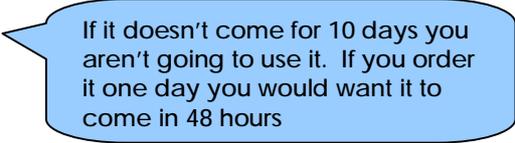
> If it doesn't come for 10 days you aren't going to use it. If you order it one day you would want it to come in 48 hours

Efficiency in delivery requires flexibility in terms of delivery options, whether to home, work, or collection from a local library (the latter only preferred by 50% of rural library users, the other 50% preferring delivery straight to their own door). A large proportion of participants were concerned that the service shouldn't add to their lifestyle stresses by sending them to a sorting office to collect books which won't fit through their letter-boxes. Linked to that it is important that the ease does not decrease if you order more than one book at a time which would increase the weight of a package through the post and decrease the likelihood that it would fit through letter boxes.
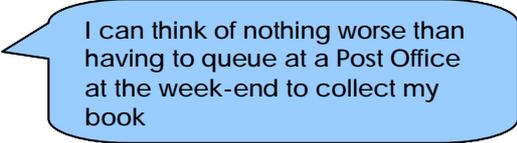
> I can think of nothing worse than having to queue at a Post Office at the week-end to collect my book
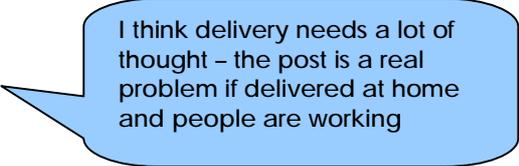
> I think delivery needs a lot of thought – the post is a real problem if delivered at home and people are working

Differences in preferences for return between rural / urban users were clear. Urbanites expressed a greater variety in their return preferences depending on how they managed their commute in to work and whether or not their route included a walk past a post-office or library drop off point. Rural participants were concerned that any drop-off point would require a significant drive for them or add to the inconvenience. They suggested a range of options which would fit into their lifestyle for returning the book. Figure 21 summarises the participants' delivery preferences.
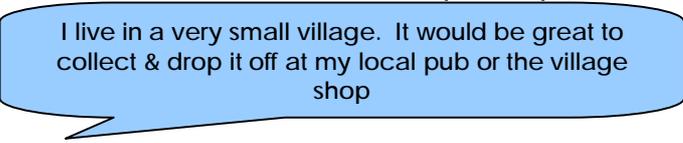
> I live in a very small village. It would be great to collect & drop it off at my local pub or the village shop

Delivery Preferences

Figure 21

4.5 Pricing

Value for money is an important motivator for all participants as we have seen in the reactions of specific groups in section 4.3.

> £3.49 is a high cost when a lot of books can be bought online for around the same or less than that

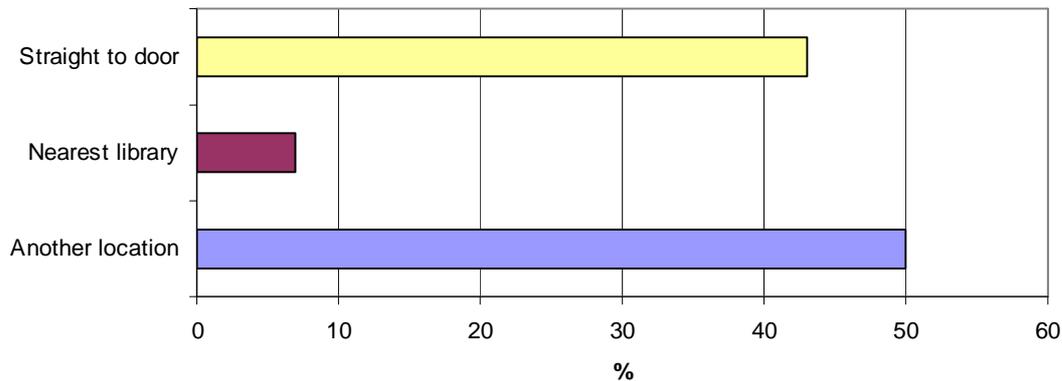Focus group as well as the field study participants pointed out that the price quoted in the feasibility study of £3.49 is higher than you might pay for a book purchased on Amazon and delivered to your door. Charity shops, free books with magazines and 3 for 2 book shop and supermarket offers were all cited as places to get the books they wanted on a limited, and perceived reasonable, budget.

4.5.1 Reactions to the feasibility study proposed price

People are aware of postage costs and realise that the service needs funding, but they do not believe that this should be reflected in a very high price for the user (which £3.49 is perceived as being). In discussions comparing LLO to public libraries price became a significant issue. 'That sounds expensive

> This would be far too pricey for us – even with fuel costs and parking going to the library would be cheaper

when it's free at the library' was a statement agreed with by other library users. As someone else said, 'I would rather go to the library, and walk out with a tottering stack for free'. Those participants in the research who do not use libraries nevertheless understand that they could make use of a public library for nothing as a statutory function of their local authority, paid for by their Council tax. Pricing proposals are provided in the next section, but if research participants were to use a service which cost as much as £3.49 they would expect as a minimum to:

- Borrow a significant number of books at a time
- Have them out for longer than they could at a local library
- Get pre-paid return envelopes
- Have ability to renew online
- No late fees

Lead by services such as LOVEFiLM, people involved in the study did not expect to pay late fees for books they were returning and were concerned that with their time-pressed lives this would slip and, 'cost me a fortune'.

4.5.2 Pricing proposals

The table below presents proposals for price given by those involved in the physical and the online focus groups. On average this suggests that an acceptable price for the LLO service, given the hygiene factors above is £2 per transaction, certainly no more than £2.70.

Table 1

	Physical focus groups		Online focus groups	
	Library users	Library non-users	Library users	Library non-users
Average price	£2.90	£2.70	£3.20	£1.80
Majority view	£2	Less than £2	£2-4	£0-2

One of the three 'New rules for the entertainment economy' as formulated by Anderson in The Long Tail[26] is 'Cut the price in half. Now lower it'. Much of the content making up the Long Tail is older material that has already made its money or been written off. Customers are used to paying very little for online services and can be drawn into the Long Tail with lower prices.

4.5.3 Pricing strategies

As well as flat fees, subscription rates / fee structures were discussed. Participants asked MLA to consider flexible pricing structures in the plan using services such as LOVEFiLM as a model. The suggestion is that LLO would offer the following:

- Monthly subscription options (borrow a number of books per month for a set fee);
- Annual subscription options (borrow a number of books per year for a set fee);
- Pay as you go (pay a flat fee per transaction)

Participants were asked how many books they would expect to borrow under each subscription option. This varied greatly depending on current reading habits of the participant. For some 3 books a week is a normal reading pattern, for others 3 books a month is their norm and for others it might be one a month, in which case an annual subscription enabling 12 books would work well. 70% of the library users involved in the focus groups would prefer to pay per transaction; 10% would like a monthly subscription option and 20% an annual subscription to take out a high number of books for several weeks at a time. Amongst non-users preferences were more evenly distributed with 38% wanting to pay per transaction and 31% either wanting a monthly or an annual subscription service.

4.6 Optimising the concept

In discussing LLO in theory with research participants we were given a clear idea of what is required to making the LLO concept as attractive as possible for potential users. Much of this has already been described in sections 4.2 to 4.5 so in this section we are concentrating on two main themes which are covered in the sections below.

4.6.1 Marketing and communications

Participants in online focus groups were less warm to the idea of LLO than other research participants. This is explained by the fact that they are interviewed online in their own homes away from fact-to-face interaction with the facilitator or fellow participants (see Methodology section 2.4). In this situation they have no fear of offending the facilitator or trying to agree with fellow participants and are willing to express their own views more readily without peer validation. Within the online

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[26] See footnote 23

sessions participants expressed different reactions to LLO, which must be addressed in any marketing messages about the service. Library users were seen to express hesitancy and resistance to change. To them messages about the service might contain expressions such as, '*If you don't always have time to get to the library, we now have a simple, tried and tested way for you to still get your books'*. For library non-users who, during the sessions also demonstrated a resistance to change and a focus on the procedures which might be a barrier to them using the service, useful expressions might be, '*We have been thinking about how to make libraries more relevant to you and have developed a straightforward way to borrow books even if you are too busy to get to the library, or unable to leave the house'*. A recommendation is made in section 6 on using Language and Behaviour (LaB)[27] profiling to support the development of some key messages for the site appropriate for the market segments.

Those involved in the physical focus groups were asked if they would be more likely to use the service if they were to hear about it from friends and family; advertising; leaflets; community facilities; the post office or other means such as social networks. For the majority of library user participants an email, leaflet or newsletter from their usual library would be the most persuasive form of communications; a recommendation from friends and family was proposed as the most persuasive for current non-library users. As this is a new service it is not surprising that potential users wanted to hear about it from a trusted source. Piloting the service would build up a level of trust for the service and we are recommending this as an important step in developing the service from theory to practice (see section 6).

> Hearing from the library is more direct, it is more likely I'd use it if the library told me about it

> If someone said 'I've used it, it's a good service' that would be fine – it's a personal reference from someone you trust

We consider it essential to consider these measures within the context of a planned marketing and communications strategy for Library Loans Online. This should be developed in the early planning stages of the business model. Without such a strategy MLA and public library services would risk carrying out a number of disjointed tactical operations to delivery the service which would not be sustainable in the long-term, nor would they achieve the critical mass of users required for the service to be a success.

4.6.2 Added value

We have identified in the research that library users and non-users have slightly different expectations of the new service. Library users are already comfortable with borrowing books, they are comfortable with a library concept, but would want to know that an online borrowing system would provide them something additional to that already available at the library. Non-users needed to be convinced of the need to use the service at all given that that they do not have a book borrowing habit, a service which provides them with value for money in a fast-changing competitive book buying market.

In section 6 we recommend a customer-centred approach where website content is to some extent generated by the user. As we have seen in section 3 LOVEFiLM and Amazon have built a successful business around customer reviews and

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[27] LaB identifies key motivators for an audience and ensures the right language is used to explain to the target groups how LLO will benefit them. It was created by Rodger Bailey in the USA in the early 1980s. Bailey based the tool on his extensive experience with Neuro-linguistic Programming which has its roots in Noam Chomsky's linguistic work

recommendations, Library Loans Online was seen by participants in the research as a means of contributing to their community by commenting on books they had read and making recommendations.

One participant spoke of LLO in terms of an online book club, something which could help the perceived issue of not being able to browse a book before deciding to borrow it.
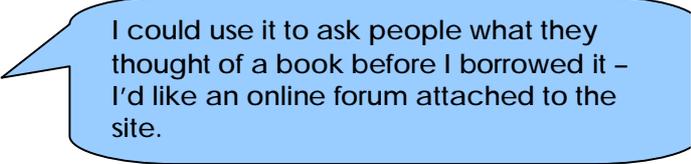
I could use it to ask people what they thought of a book before I borrowed it – I'd like an online forum attached to the site.

5. Conclusions

As discussed already the brief for this study focused on three questions:

- The likely levels of usage for the next 5 years (2008-2013);
- The likely price-range different groups may be willing to pay for the service;
- Preferences in delivery options available to users.

To conclude this report our findings in answer to these questions are summarised below, together with a concluding remark on the environment in which LLO would be launching.

5.1 Likely levels of usage

The combination of all research methodologies tells us that if LLO was launched as a service tomorrow 33% of the people identified as market segments (see figure 1) would use the service if the key hygiene factors of clear navigation and support; an efficient service; and flexible return and delivery options and issues on price and delivery (see below) are addressed appropriately. For the next five years we believe much depends on the marketing and communications of the service together with ensuring that the user has input into the site making it a service they trust and believe in. With an appropriate marketing and communications strategy in place we have found that 67% of people identified as market segments through this study would be using the service by 2013.

We believe that the assumption that those who are time-pressed (83% of this study) would find the service of particular relevance to their lifestyles is correct, but as we have shown other factors come in to play such as whether they live in a rural or urban location, or are library users already. The group most likely to use the service from all the market segments tested are women in managerial positions in their early fifties, but only marginally so the service also appeals to men, to those in a range of ethnic groups, particularly those with an Asian heritage; to those in the research who were 75 and over and already library users; and to those within the segments who described themselves as time-pressed of which 29% said they would probably use the service and 43% said they would possibly use it. Further work on market segmentation profiling is proposed within Appendix 10. Our research has shown that of the groups we tested the least likely to use the service at the moment are students and younger people.

5.2 Price levels

Our research has shown that the feasibility study proposed price of £3.49 per transaction is too high. Tolerance across all market segments was shown to be around £2 to £2.70. The groups know that they can receive books free of charge from their public library and expect a service, even with built in convenience, to be subsidised to some extent. Those people included in the research aged between 51 and 75 were more tolerant of a higher fee than those in the younger or older age groups.

5.3 Preferences in delivery options

The key factor for the majority of research participants was flexibility, something strongly supported by our desk research. LLO was seen as a service that should allow people to have delivery straight to the door; to their place of work; or a collection point. Equally important was the need to be able to return it in a pre-paid envelope; or to be able to use a convenient drop off point including a library, if on a convenient route, or for those in rural locations MLA were asked to consider using local post offices, shops and pubs.

Options were also proposed for varying subscription proposals which affect both price and delivery as the number of books sent out at any one time could vary.

5.4 A competitive environment

LLO, if launched in 2010, would be emerging into an economically challenging environment. It would face two issues of public spending cut backs and the fact that it is the commercial operations offering for the greatest efficiencies and value for money surviving the recession. Innovation has been mentioned in section three as an important critical success factor, and as this report is being completed we see another innovation in the field with the launch on 24 April in London of the Expresso Book Machine. This service prints and binds a book from an enormous catalogue within five minutes of it being ordered by the customer, and is targeting the service at those who have been searching for out of stock or even out of print. The service is already established in America, Canada and Australia and although only available in one shop in London at the moment, has a big commitment from Blackwell's who have purchased the right to use it in the UK. These innovations need also to be considered in the development of the business model.

Library Loans Online is an exciting innovative concept, which if taken to the next step of innovation in designing and testing will delivery a service which will be of value to the market segments identified and questioned during the research process. In the next section we make our recommendations on service design and delivery formed as a result of our research. Appendices are designed to be read with this report which provide more information on research findings and methodologies.

6. Recommendations

Building on the positive outcomes of this research Hopkins Van Mil and Customer Interpreter discussed the following recommendations with the Advisory Board.

Address library user expectations
The concept of being able to borrow library books through an Internet service is welcomed. With a shrinking market for traditional libraries and a growing section of the population expecting services online there is a risk for the future relevance of the service in not taking the project further. MLA will need to meet expectations from potential users of high quality performance and presentation.

Pilot Library Loans Online
Identify a pilot area and run a pilot to test the concept we have discussed theoretically with potential users in order to refine the offer. A pilot will enable MLA to ensure the service meets the needs of customers re logistics, packages, add-ons, navigation and design of interface. A pilot is also an excellent way to test marketing messages and communication tools.
It will be important to bring library staff on board when piloting and involving stakeholders from an early stage to get buy-in at all levels.

Get the marketing messages right
A marketing strategy, developed at an early stage in the business modelling is a basic requirement in launching LLO successfully and gradually building longer term relationships with users. This will incorporate an analysis of what different segments need to hear and in what way to encourage them to start using LLO. In further marketing work the values of the service must be considered; a brand communicated and an appropriate name agreed which communicates the fact that Library Loans Online offers something different from public libraries, albeit linked to them. We recommend using Language and Behaviour Profile to fine tune communications. Online **lending** for example is the world from the libraries' point of view; online **borrowing** is naming the service from the customer's perspective.

Ensure availability of wide range of books
To offer added value LLO will need to offer access to a wider choice of books than currently available from local public libraries, including specialist or out of print publications which are hard to find in bookshops as well as new releases.

Use appropriate delivery mechanisms
Fast, efficient and practical delivery and collection mechanisms are essential to the success of the scheme, and a barrier to participation if these are not clearly addressed at the launch of the service. Potential users ask for flexibility and options. Delivery to a preferred address and return via the post scored high. Using a courier service would offer customers clarity about a time slot in which they can expect their parcel. Ease of delivery must be retained when dealing with a multiple order.

Keep the service vibrant and interactive
LLO has the potential to become an attractive enhancement to existing library services if it manages to live by the rules of successful online retailers such as Amazon and LOVEFiLM. LLO will only thrive if it embraces a customer centred philosophy. LLO's resources should reflect what is wanted and needed, not only what librarians assume users should have. Content generation is a driver for growth in the online world. This implies that LLO would allow users from all walks of life and ages to have a voice by creating an online library community that is interested sharing views, rating books, and being told what they may also like based on how they use the service. LLO can not be launched and left to its own device. It requires monitoring, moderation and an open eye to innovation.

Keep user costs low
LLO would need to be offered for as low a price as possible. 80.2% of those surveyed said that £3.49 (the price suggested in the feasibility study) was too much, with the remainder saying it was just right. Communications about price needs to be targeted carefully in terms of what exactly the customer is paying for. Free delivery of online purchases is in high demand. There might be an argument for offering LLO to library users as a free service & paid delivery whereas the concept is more likely to be attractive to non-users when delivery is free with a charge to the service itself.
Potential users expect no late fees. The majority is happy with pay-per-transaction although there is an interest in subscription services for reasons of convenience and economy of scale.

Address user concerns
The majority of library users expressed a fear that a successful Library Loans Online scheme would put public libraries and existing library services (such as inter-library loans) at risk of closure or cutting back. Perceptions of threatened services need to be addressed rather than avoided. LLO will also need to address the need for browsing. Many library users don't come the library with a choice of book made. Younger users in particular need to have access to a taster section of a book to enable them to make up their mind as to what to borrow.