

Academic Library Dilemmas in Purchasing Content for E-readers

Debit Cards, Sales Tax, and Workflow Issues

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Abstract

This chapter of The No Shelf Required Guide to E-book Purchasing examines the challenges that of purchasing e-books for academic libraries from online vendors and suggests solutions and workarounds for these common problems.

Introduction

This chapter addresses specific problems within the larger picture of lending e-reader devices to library patrons—problems related to purchasing workflows and how to handle sales tax when acquiring content for e-readers. What happens when a tax-exempt library acquisitions department (at a state-funded or other nonprofit entity) encounters sales tax charges when purchasing e-book content? What are possible work-arounds for the immediate future, and what are possible long-term solutions? What other related factors should be addressed when developing acquisition workflows for e-book reader content? A serious concern for all aspects of processing e-readers in the future is scalability. Librarians have faced similar hurdles of a practical nature when developing electronic journal processing and have risen to the challenge to solve those through collaboration, ingenuity, and entrepreneurship. Can these relatively minor problems be solved using similar efforts?

Setting the Stage: East Carolina University's E-book Reader Pilot Project

East Carolina University (ECU) is part of the University of North Carolina system of sixteen schools and universities. ECU is the third largest university in the system, with over 27,000 students and over 2,000 staff and faculty.¹ ECU is considered a Doctoral/Research university in the Carnegie scheme. There is a health sciences complex, which includes a medical school and a newly established dental school. Libraries include J. Y. Joyner Library and a music library on the main campus and Laupus Health Sciences Library on the west campus.

In the spring of 2010, Joyner Library began a year-long pilot project to provide library users exposure to handheld e-book readers. Joyner Library had purchased a Sony Reader and an Amazon Kindle prior to the pilot, and those devices were preliminarily tested in-house by selected staff. Starting in May 2010, one Kindle 2, two Barnes and Noble Nooks, and two iPads were purchased. Over the summer of 2010, these devices were used by a wider number of staff to gain familiarity with them, get a chance to make comparisons, and provide a basis from which to plan for a public program to lend them to library users. Calls were made to neighboring academic libraries (Duke University and North Carolina State University) that already had similar programs underway so that reinventing the wheel could be avoided. Additional devices of each brand were purchased over the summer. In November 2010, Joyner Library began circulating six

Kindles and six Nooks. Starting January 2011, ten iPads began circulating. In addition, four Nook Colors and thirteen iPad 2s were purchased in the spring of 2011.

The project required quite a bit of collaboration between several departments within the library. Library Technology (LT) personnel were responsible for purchasing the devices, registering them in the library's equipment inventory, maintaining warranties, and developing procedures for security and technical troubleshooting. Personnel within Collection Development and Technical Services (CD&TS) took responsibility for deciding what content to add to the e-readers and worked on procedures for acquiring this content, as well as cataloging the readers and content. Circulation staff had responsibility for the actual lending of the e-readers, collecting assessment surveys from patrons, and communicating with both LT and CD&TS as needed when public interface problems arose.

Summary of Purchasing Procedures

As a state institution, ECU is governed by a number of state regulations. Joyner Library staff in several departments use state-issued Visa Procards in order to take advantage of the efficiencies of online purchasing. The use of debit cards for academic library acquisitions is a standard practice, and many states allow their use. These Visa debit cards are tied to State of North Carolina Bank of America accounts. Staff who are issued these cards have specific types of suppliers from which they are allowed to purchase goods, depending on the type of merchandise they are responsible for procuring. The library's two acquisitions units (Monographs, Electronic and Continuing Resources) include staff who use Procards routinely to acquire books, serial subscriptions, and other library materials for the library's collections.

Studies done within the financial industry conclude that it costs an average of \$89 to cut a check in order to pay for a single purchase to a single vendor.² Because of the high cost of traditional accounts payable processing, everyone at ECU responsible for procurement is urged to process payments through Procards whenever possible.

While it was a natural assumption that acquisition department Procards would be used to obtain e-book reader content, it was not until the process was actually tested that more careful thought went into what this actually would mean in terms of workflow. After all, in spite of the fact that Procards save the university and the state money by reducing the need to process paper invoices and cut paper checks, there are unintended consequences to using Procards.

One of the hidden costs of using Procards to make individual e-book purchases through the supplier website is that when staff reconcile their Procard statements at the end of the month, the reconciliation for e-book purchases can add significant extra time, depending on the amount of activity in a given billing period. For

e-book purchases, each *separate* transaction has to be verified and signed off on within a Bank of America account interface. Each unique transaction can require between ten and twenty mouse clicks to complete the signoff process. Because e-content cannot be ordered as multiple line items on a single invoice, each individual transaction has to be reconciled separately. Furthermore, every e-book has to be entered and paid as a separate invoice in the library's integrated library system acquisitions module. This situation results in three different systems in which the staff member must verify essentially the same data. In addition, if sales tax is refunded, the Procard monthly statement may not be able to be fully reconciled within the billing period, which means the individual responsible has to keep track of those refunds for one or more billing periods, which can become very confusing.

When starting to experiment with the purchase of e-book device content, several other payment options were considered. For example:

- **Would it be possible to purchase a gift card that would bypass problematic issues with suppliers' website designs?** No. The university does not allow us to purchase gift cards, except under very limited circumstances and not for purchases of this nature.
- **Could we ask the vendor to send us a traditional paper invoice for the content?** No. Both Amazon and Barnes and Noble sell e-book content only via their websites.

The representative from the local Barnes and Noble store offered to load content on Nooks for Joyner Library, but once it was determined what the Barnes and Noble website required for the purchase process, it quickly became apparent that was not going to be possible for him to accomplish.

Herein lies the problem—the purchase process includes the transmission of individual digital files, which is triggered by the online sales process. This process was developed for the consumer market to be fast and efficient on a one-by-one basis. However, it does not result in efficiencies for libraries, which expect to be able to buy multiple books at the same time. Most suppliers expect, and therefore design their systems for, buyers who purchase content one book at a time. Therefore, it is not currently possible (by design) to put more than one e-book into a shopping cart. To understand why this doesn't work well for libraries, imagine buying one paper clip at a time or going to the grocery store and buying each item in your shopping cart separately. While books are unique items and cannot be managed like paper clips, it is (as with similar merchandise coming from the same supplier) far more efficient to batch-order books. Purveyors of e-books should recognize this issue and fix it—after all, if customers of any type (not just libraries) wish to buy multiple e-books at one sitting, shouldn't they be able to do so?

Most libraries experimenting with e-book reading devices have been willing to put up with these types of inefficiencies because they know that eventually the companies providing the content will work out these details. However, these companies may not put much effort into overcoming these hurdles unless customers point them out and do so loudly and regularly. That is because these suppliers are (logically) more interested in the general consumer market, and libraries are not a significant percentage of their business base, despite the evidence that library circulations actually help sales.³

There is even doubt in some people's minds as to whether libraries are legally able to circulate e-book devices based on the licenses that come with those devices when they are sold. This chapter won't try to address that issue, and at this writing, no seller of e-book readers has asked libraries to stop making the devices available to their users.

Enter Sales Tax: The Elephant in the Room

The collection of sales tax has been a hot issue for individual states ever since online interstate sales became possible. Historically, mail-order companies such as Sears successfully convinced the U. S. Congress years ago that out-of-state sales should not have sales tax collected since they were not physically present in every state. Because the collection of sales tax has been tied to "brick and mortar" for so long, it is difficult for the patchwork of state regulatory agencies to wrap their collective minds around the fact that in the Internet age, it doesn't matter where you are; this is true not only nationally, but globally. In other parts of the world, particularly Europe and the UK, libraries purchasing e-books may be faced with a VAT charge of 17 percent or more.⁴ Stateside, the collection of sales tax has become even more critical than ever as local economic conditions are vulnerable to the changing overall retail market. According to Mark Scanlan, "Bruce and Fox (2004) estimated that lost state and local tax revenue from e-commerce would reach between \$21.5 and \$33.7 billion in 2008."⁵ It is not the intent of this chapter to weigh whether or not interstate online consumer sales should be subject to sales tax. Regardless of how individual states and the federal government ultimately resolve the problem, the fact remains that tax-exempt entities exist in all states, and these purchasers should have a mechanism for bypassing sales tax, period. Unfortunately, no matter how the collection of sales tax plays out in the bigger scheme of things, the confusion continues to bedevil nonprofits that are tax-exempt. Online retailers find themselves trying to manage an increasingly complex set of conditions under which they are supposed to either collect tax, not collect it, or refund it. Let's look at the

two models Joyner Library has been dealing with in relation to the purchase of e-book content.

Two E-reader Purchasing Models

Barnes and Noble Nook

At the Barnes and Noble website, when purchasing print materials (and essentially anything other than an e-book), the customer interacts with a page where shipping information is entered; on that same page, there is a place to check off whether or not the purchase is tax-exempt. Returning customers who have already established their tax-exempt status with Barnes and Noble simply check this off, and no other effort is required.

However, the e-book purchase flow is completely different. One can only assume that since e-books do not need to be physically "shipped," it made sense to the designers of the workflow to skip that whole step, but in the process, they also eliminated the opportunity to check off the tax-exempt status. Therefore, when institutional customers buy e-books through the Barnes and Noble site, it is necessary to apply for tax refunds *separately, on every single item*. There is *one individual* employee at Barnes and Noble at this writing who manages *all* the tax refund requests. Right now the traffic for tax refund requests may be relatively light, but it is growing steadily, and the process will only get more cumbersome for everyone as time goes on. If Barnes and Noble were able to make a design adjustment to its website and put the tax-exempt checkbox back in for the e-book purchase stream, it would eliminate much extra work for all involved. This adjustment might take only a few lines of computer code—although it is hard to know for sure, since repeated requests for communication with Barnes and Noble about this question have gone unanswered.

Amazon Kindle

The situation at Amazon is a bit different. This is because Amazon has not historically charged tax to customers since its business model is not tied to brick and mortar stores. However, a number of large publishers have started insisting that tax be charged, depending on states where they have a physical presence or "nexus." Trying to figure out when tax will be charged and when it won't is often a guessing game from the customer's end. The best clue that can be found on Amazon's website is the statement "This price was set by the publisher." (An example of this can be found on Amazon's website under Pamela Duncan's book, *The Big Beautiful*, for Kindle). This shift in business model is referred to in the book publishing trade as the "agency model."⁶

If this statement is on the screen under the title entry, then tax will be charged. Relying on Amazon's list of publishers that charge tax does not work well because the list changes constantly and is not updated immediately. For more information about how Amazon

handles sales tax, look at Amazon's Help information for tax-exempt customers.

Amazon: Sales Tax Requirement: Tax-Exempt Customers

www.amazon.com/gp/help/customer/display.html?nodeId=468512#exempt

Amazon's ability to keep track of all this fails in the realm of customer service. Institutional customers that are tax-exempt discover that receiving tax refunds from Amazon on a case-by-case basis is very difficult, if not impossible. Information received from customer service representatives varies greatly. In desperation, some university libraries conducting pilot projects with e-book readers have simply refused to buy any books from Amazon if tax is charged. Another strategy used by some institutions is to file a compiled intermittent refund request through their State Attorney General or local financial office, which is far more efficient. Originally, the ECU campus Procard office insisted that Joyner Library staff pursue every single tax refund individually. When it became apparent that requests were being ignored or flat out denied, Joyner Library was allowed to stop pursuing refunds in this fashion in the hopes that the university could succeed in collecting the refunds through a centralized method.

Solutions Summarized and Conclusion

In summary, library customers would benefit greatly if sellers of e-book content would provide the following enhancements:

- Provide the ability to purchase more than one unit at a time in a shopping cart.
- Provide the ability to self-select out of having to pay sales tax (after having provided proof of tax-exempt status). If this is not possible, at least allow customers the ability to file for tax refunds on an aggregated basis.
- Establish a customer service point specifically for institutional customers.

The purchase process for e-book content for institutional customers is still evolving. Suppliers such as Amazon and Barnes and Noble need to respond to the library market's needs. Academic institutions face continuing pressure to work more efficiently, and efforts to do so are thwarted when key business partners cannot or will not be responsive.

It is hoped that by the time this chapter is published, some if not all these problems will have been rectified. However, my having been in contact with both these companies on a regular basis since the fall

of 2010 and not having seen a solution for any of the problems yet suggests that the wheels of progress in this realm will continue to turn slowly. Librarians are ever hopeful that progress towards solutions will be made, and that the *No Shelf Required* blog and other communication channels will be able to publicize these improvements as they are realized. E-books are here to stay, and libraries will continue to want to provide them to their patrons, so it behooves us to collaborate with the suppliers as much as possible.

No Shelf Required

www.libraries.wright.edu/noshelfrequired

Notes

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