

Can Libraries Survive the E-Book Revolution?

Facing higher prices and limited access to e-books from the major publishers, one man has inspired a national movement to promote smaller, digitally based presses and self-published authors.

BY: [Dylan Scott](#) | July 2013

More than 20 years ago, when Jamie LaRue took over the library system in Douglas County, Colo., few people outside that patch of Rocky Mountain wilderness south of Denver knew who he was. A lot of things were different back then. Public libraries were still considered pillars of the community and the most important stop for any local resident looking for the latest from the printed word. Commercial e-books were still a fantasy in the mind of some anonymous Silicon Valley geek. The rules of the game between libraries and publishers had been established long ago: Discount prices and generous access were the norm, and there was every reason to believe that the status quo would continue, ad infinitum.

But it didn't.

Instead, the e-book revolution has overturned the whole infrastructure upon which libraries depended. From 2011 to 2012, the percentage of Americans who owned an e-book reader leapt from 18 to 33 percent, a rapid climb from 6 percent in 2010. Attempting to accommodate this shift, more than three-quarters of U.S. libraries allow their customers to check out digital books, but they've encountered fierce resistance in access and pricing from the major publishers. Some won't even sell e-books to libraries. If libraries are able to obtain mainstream e-books at all, those sales almost always come with onerous conditions and high prices, especially compared to the traditional discounted rates libraries pay for hardcover copies.

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The situation has left libraries looking desperately for a way to make e-borrowing sustainable for customers in the future. But they have little negotiating power other than an altruistic appeal to the established relationship between library and publisher, both working toward the goal of a more literate nation. The bottom line is that libraries need to have e-books for their readers to check out, because that's how people are going to read in the future. If they don't have the goods, then what will a library be useful for a decade from now?

Enter LaRue, who oversees seven libraries in what is now a suburban county of 285,000 people, but is building a nationwide movement based on his principles. He talks about bypassing the "Big Six" New York publishers, or at least leaving them behind and setting his sights on the next publishing wave: smaller, digitally based presses and self-publishing authors. He wants to transform the library from a place where you go to find a *New York Times* bestseller to a local incubator fostering homegrown writing talent. If the big publishers want to cut libraries out, that's fine, he says. He's going straight to the people.

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"This is the most exciting time to be a librarian in the history of mankind," he says. "There has never before been this profusion of writing. There's this incredible opportunity that we have if we step up to the table, if we're willing to reinvent ourselves, if we are bold. But if we are not willing to do those things, we will be marginalized. As time goes on, we'll become less and less relevant. At some point, we'll perish. It's adapt or die."

LaRue's ideas have inspired an upheaval in the library and publishing worlds. Libraries from California to Massachusetts are fitting his design to their own systems. Mere mention of his name attracts audible sighs and knowing nods from top executives at some of the biggest publishers in the world. Whether he and his philosophy succeed or not could determine the public library's future. That's how many librarians view the stakes, anyway. If he's wrong, the library could fade into obscurity, a relic of the pre-digital age. But if he's right, and a growing number of acolytes believe he is, it could still thrive in an era when hardback books have gone the way of illuminated manuscripts.

Before the arrival of e-books, the library business model for purchasing and distributing print books was set in stone. There were intermediaries between the publishers and libraries, companies like the giant distributor Baker & Taylor, but there was little tension. Libraries purchased books at a comfortable discount, sometimes

as much as 40 percent off the retail price, and publishers earned an acceptable profit by selling them new releases and replacements for worn-out books. A library bought a copy of a book, and it could lend the copy as many times as the binding would hold; if the book was in high demand, the library could buy more copies. Affordable prices meant a library could build a huge reservoir of material for its readers.

The digital market, however, has been built from scratch in the last few years, and all those old norms have disappeared. There are still intermediaries that transmit digital files from the publisher's online collection to the libraries -- one company, OverDrive, owns an 85 percent market share -- but little else is the same. First of all, not every major publisher is selling its products to any library that wants them. Several, including Simon & Schuster, Macmillan and Penguin, either don't sell e-books to libraries at all or have only begun to do so through pilot projects that work with select libraries, usually concentrated in New York. This leaves out the nearly 9,000 other libraries spread throughout the rest of the country.

Even if publishers do sell to libraries, they've restructured the rules. HarperCollins, for example, sets a limit of 26 loans on each e-copy; after that limit is reached, the library has to purchase a new copy license. Random House hasn't established such restrictive conditions and makes its full e-catalog of 46,000 titles available to libraries, but the price for each copy is often four or five times (\$85 is the upper limit) what the company charges for physical copies.

While their business model is being upended, libraries, along with the rest of the public sector, are enduring the aftershocks of the Great Recession. Library spending in the U.S. dropped 8 percent in 2013, largely a result of government funding cuts, continuing a decline that started with the economic downturn. So at the same time that libraries are navigating unprecedented financial challenges, they must contend with a new marketplace that they feel is rigged against them.

"The situation has basically become: It's going to cost you so much that you can't afford to buy it," says LaRue. "That means we can't buy as many things. Our citizens are now being denied things that they used to be able to have."

Publishers say they are just trying to make sure their industry is sustainable for the long haul. A whole host of new variables in the digital market, they argue, makes it different from the traditional one -- and more expensive. E-books have to be protected against pirating and other copyright infringement. Digital books are constantly being corrected or revised in a way that physical books never could be, plus they must be adapted to various formats from iPad to Kindle to Nook to smartphones, and all that coding costs money. Virtual copies never wear out the way physical books do, and a significant portion of publishers' income used to come from reselling old titles to libraries to replace deteriorating inventory.

But most fundamentally, it seems, the rise of e-publishing has given the industry an opportunity to reevaluate its traditional way of thinking about libraries, which was that they encouraged reading and thus benefited publishers. Now the big companies are concentrating on direct sales to the customer. Alison Lazarus, president of the sales division at Macmillan, acknowledges her company has focused on the retail market as e-books have taken off. It has treaded lightly in selling e-books to libraries. Only this March did it launch a pilot program for library sales of 1,200 titles from one of its crime fiction imprints.

"Libraries always talk about how they're a venue for discovery, for people to learn about authors. I believe that in theory, but I don't know that there's any hard evidence," Lazarus says. She also argues that going digital has erased old barriers for people borrowing from a library, such as the necessity of getting a library card and physically going to the library building to check out a book, and that might mean library lending will cut into publishers' profits more than it did in the past.

"Our concern is that the more e-lending becomes available ... what would have in the past been a sale becomes a borrow," Lazarus says. "Over time, that would be extremely detrimental to the health of the publishing industry."

For the moment, the industry, thanks in large part to the digital market, is showing few signs of sickness. In 2008, e-book sales represented on average about 1 percent of a publisher's revenue, according to a recent report by the Association of American Publishers. That share ballooned to 23 percent in 2012, accounting for \$1.5 billion in sales. The overall industry grew 6.2 percent in 2012, up to \$7.1 billion in revenue.

In a way, that remarkable growth might validate the industry's apparent marginalization, intentional or not, of libraries. E-books seem to be doing just fine without them. So while publishing executives are quick to emphasize, as Lazarus does, that they still appreciate the value of libraries, the libraries themselves are more skeptical.

"I frankly think in some cases they just see the opportunity to make more money," says Maureen Sullivan, president of the American Library Association (ALA), who has personally participated in negotiations with publishers. That's the American way, of course; as Alan Inouye, director of the ALA's Office for Information Technology Policy, puts it: "People are not required to sell you things at all or at terms that the consumer likes."

These contentions have led to robust, sometimes tense, negotiations between libraries and publishers in recent years. Representatives from the ALA have met with top executives of the Big Six publishers at least five times in the last year. Some compromises have been made -- Macmillan's new pilot program, for example -- but the underlying issues remain unresolved.

If LaRue has his way, though, it might not matter if they are. He surveyed this new world as director of the Douglas County Libraries and saw an opportunity to move in a new direction. He recalls looking at *The New York Times* bestseller list and seeing that a growing number of the books on it were being sold digitally. He noticed that self-published authors had begun creeping toward the top of bestseller lists (this March, a self-published book topped the Digital Book World E-book Best-Seller List for the first time). Some of the most successful independent publishers, those outside the Big Six, were increasing their sales exponentially year over year, and that growth was almost exclusively driven by the digital market.

Most important, more and more people started coming to his seven libraries, which receive 2 million visits annually, and asking about e-readers and the possibility of checking out digital books. The supply wasn't able to keep up with the demand, because his libraries faced the same fiscal pressures and burdensome restrictions as their peers across the country.

"I realized we needed to do something," LaRue says. "The vendors were screwing us." In December 2010, with all of these ingredients mixing in his mind, he had a moment of clarity. As with the music industry before it, a common analogy in these conversations, he decided that the publishing industry's future didn't rest with the legacy conglomerates that had dominated it in the past. Its strength resided in the independent presses and self-publishing writers who had seized the opportunity that e-books offered: the democratization of publishing. Libraries, he reasoned, needed to harness that creative outburst. He devised a plan to do it.

It was remarkable in its simplicity: LaRue decided to build a digital warehouse and contracting system, which would allow his libraries to purchase directly from smaller publishers and authors, cutting out the Big Six and OverDrive, which would mean lower prices. In January 2011, Douglas County Libraries purchased Adobe software that for \$10,000 would serve as the backbone of the new system, safely transferring files from the provider to the library to the reader. LaRue wrote "Dear Publishing Partner" letters, setting simple yet firm expectations for how the content would be handled and eliminating the restrictions that accompanied the major publishers' products. The whole enterprise cost \$200,000, but LaRue says the libraries have already saved that much in a year because the prices they're paying for the independent and self-published materials are much lower, up to 45 percent below retail.

The system went live in February 2012, and LaRue went to work finding partners. They soon flooded Douglas County's digital shelves. The libraries have so far purchased e-books from more than 900 smaller publishers and hundreds of individual authors. They make up 21,000 of the 35,000 titles in his virtual catalog. The rest come from the major publishers, sold through intermediaries at much higher prices. Those mainstream titles are still more popular with readers, making up 65 percent of the county's loans, but it's clear that the appetite for the independent and self-published content is growing.

Outside Douglas County, LaRue's ideas have even earned their own acronym: the DCL model. A consortium of more than 250 California libraries is on the verge of rolling out a similar system. The Harris County Public Library, which serves the Houston area, has launched its own pilot project based on the DCL principles. LaRue gave the keynote address at a May 2012 conference hosted by the Massachusetts Library System, which represents the state's 1,700 libraries, and exactly one year later, the group established a limited DCL-style prototype with 50 participating libraries. The plan is to expand it statewide in 18 months, which would make it the largest victory yet for LaRue's vision.

“Jamie is such a leader. The passion is very clear. You hear how important this is to him. He inspired us to move forward,” says Greg Pronevitz, executive director of the Massachusetts Library System. “The library’s future is becoming more and more electronic, so it is essential that we work this out. We’ve got the whole library community working toward it.”

The Big Six publishers are watching the DCL movement closely. Skip Dye, vice president of library and academic sales at Random House, says he has talked privately with LaRue. While he has some concerns about every library’s ability to adopt a similar model, Dye says he’s “very interested” in how it performs as it becomes more widespread. “We know what they’re doing. We’re very excited about what they’re doing,” he says. “We’d really love to see them come up and be able to handle this ... but the question is whether this is sustainable for them in the long term.”

Having lit this fuse, LaRue is turning his attention toward what he sees as the next frontier: libraries themselves as publishers. Now that Douglas County has the content management system for its direct-purchasing project, he thinks it would be easy to turn that into a self-publishing portal. The library would be the center of a local authors’ society, connecting self-starters to copy editors, cover artists and e-book distributors, and transforming thousands of Word documents sitting idly on neighborhood desktops into polished, professional products. LaRue hasn’t actually done this yet, but the idea is already attracting adherents. Officials at the Harris County Public Library say they’re interested in eventually starting a similar project.

There’s something circular about it, LaRue says. Adversity that threatened to undermine the existence of libraries entirely could ultimately lead to their reinvention as incubators for writing talent, creating new content for their own collections and reconnecting with their original purpose as stewards of the written word. And like it or not -- though he must not mind because he describes his own activism as “proselytizing” -- LaRue himself has become the face of the movement, the chief priest of a new faith.

“We’re in the midst of a fundamental shift in the role of the public library,” he says. “You’re moving people from consumers of content to producers of content. If you want your library to become part of this renaissance, that’s how you do it.”

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