

Economic Value and Today's Public Library

John E. Arnold

Economic Value
and
Today's Public Library

or

On the Relevance of Public Libraries
and the Justification of Spending
Tax Revenue To Support Them
(A Personal Journey)

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The Obligatory Disclaimer

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 - There is no one correct answer

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- I'm speaking for myself, not representing the opinion of the Mass. Board of Library Commissioners.
- These thoughts are a synthesis of many observations from many people and is a 'work in progress'

Picture Yourself in a Boat on a River...

(aka 'How Did I Get Here?')

- Asking for taxpayers' money is serious business
 - Justifying, explaining, comparing, questioning, ...

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 - How much of the city/town budget is spent on its library? 1%? 2%?

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 - Justifying, explaining, comparing, questioning, ...
 - Do you ever ask yourself
 - How much of the city/town budget is spent on its library? 1%? 2%?
 - How does library funding (or trustee influence) compare to
 - the school district? police? fire? recreation?

All We Are Saying Is...

- What is the **value** of our libraries?
- Why must we care?
 - Funding for libraries is a reflection of public support
 - Public support reflects the ***perceived value*** of the library to each taxpayer, family, community

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- What is the value of our libraries?
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 - Funding for libraries is a reflection of public support
 - Public support reflects the perceived value of the library to each taxpayer, family, community
- **But...**
 - The value of the library is judged in the context of *today's economy* and *today's society*

Today's Economy: Concerns

- Cost of government
- Priorities of government

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“While some advocates may insist that the programs they care most about constitute government’s ‘core’ mission, it is simply not credible to claim that 100% of government deserves that designation.”

Eric Kriss

Sec. of Administration and Finance (Mass.)

Jan. 30, 2003

<http://www.mass.gov/eoaf/Managing03FiscalCrisis.html>

Today's Economy: Challenges

- The challenge to us is two-fold:
 - Which library services constitute 'core government'?
 - Demonstrate their **tangible value** at an **affordable price**
 - Luckily, we can build on an outstanding legacy of providing superior value

'Back of the Envelope' Math

- One method of determining 'value'
 - Cost/Benefit of
 - **Benefit:** Access + information – your public library, regional library system, library networks, etc. – *priceless*
 - **Cost** of Massachusetts Public Libraries for FY2002?
 - Including Massachusetts local, state, and federal tax dollars (and gifts and endowments)

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Approx. **\$39 per person annually**

...less than one textbook (or magazine subscription)

...the price of a hardcover book + a movie ticket

...about 75¢ per week

Source: Massachusetts Public Library Data, 2002 Summary Tables and Graphs. Massachusetts Board of Library Commissioners. March, 2003.

Today's Society: Reality

- 'Value' is a moving target that must be constantly assessed

What was valuable

vs.

What is valuable

vs.

What will be valuable

Economic Value in Today's Society

- What can we learn from **business research** and apply to our libraries?
- Paying attention amid constant change
 - **Customers**: 'our market'
 - **Competition**
 - **Differentiation**
- Searching for
 - **Sustainable, competitive advantage**
 - **Ways to create and measure customer **value****

Economic Value in Today's Society

- Common starting point
 - **'faster, better, cheaper'**

Economic Value in Today's Society

- Common starting point
 - 'faster, better, cheaper'
- But... this assumes that we know **exactly** what we should be providing
 - Planning for what we've done
 - vs.
 - Planning for what our 'customers' need

Economic Value in Today's Society

- Everyone 'votes' with his/her wallet
 - What we spend and where we spend it
 - Consumer spending and Taxes

Economic Value in Today's Society

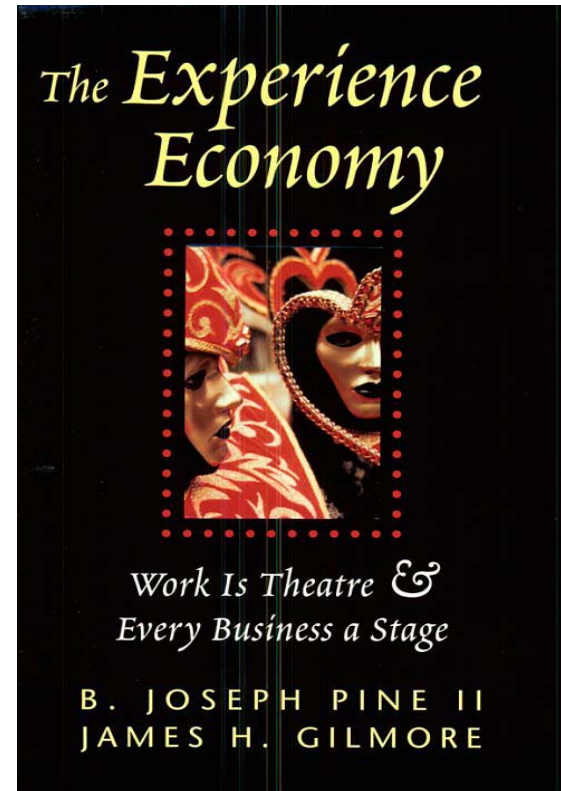
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 - Spending because you **have** to vs.
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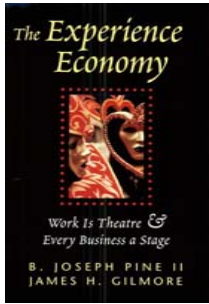
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 - Spending because you *want to*
 - Question: Is 'political support' analogous to a company's 'loyal, repeat customer'?

Progression of Economic Value

- Genres of economic output
- Creation of economic value
- New models of work
- We'll just scratch the surface



“The Experience Economy”
Pine, B. Joseph and Gilmore, James H.
Harvard Business School Press 1999
Boston, MA USA
ISBN: 0-87584-819-2



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Progression of Economic Value

Differentiated

High

**Competitive
Position**

- Undifferentiated
- Price based on supply and demand
- Basis of Agrarian Economy

**Relevance to
Customers**

Commodities

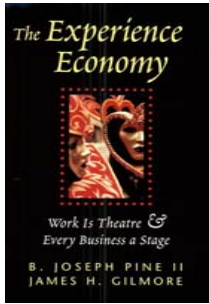
Undifferentiated

Low

Market

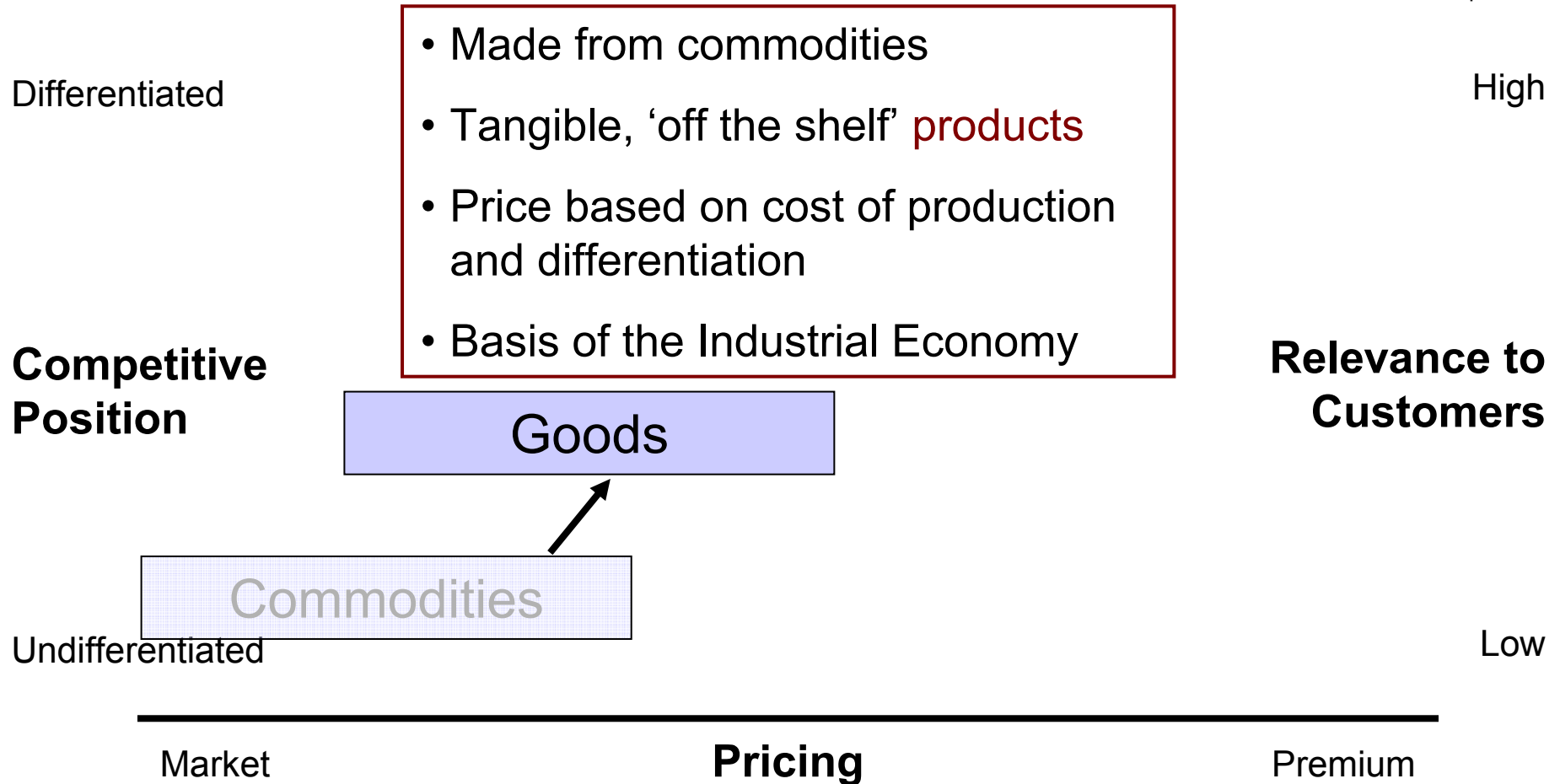
Pricing

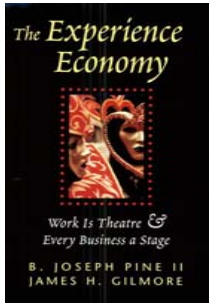
Premium



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Progression of Economic Value





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Progression of Economic Value

Differentiated

High

Competitive Position

Relevance to Customers

Services

- Intangible **activities** performed for a particular client
- Accomplish specific **tasks**
- Price is often greater than the cost of goods used/provided

Common

Undifferentiated

Low

Market

Pricing

Premium

Where is this heading?

- Upward Trend → Innovation
 - Innovation led from **Agrarian** to **Industrial** to **Service** Economy
- Downward Trend → Commoditization
 - Higher profit margins exist only at the top of the 'food chain'
 - Profit margin includes the difference between perceived value and the underlying commodities, products, etc.
 - Price war in lower level(s)
 - Price becomes a primary differentiation
 - Brand loyalty used to provide some relief to price pressure
 - But... price of 'brand campaign' adds to cost
 - Output of lower levels continues to increase
 - And... it takes far fewer people to achieve that output

Commodities and Economic Value

- The parable of the coffee bean-1999 (p. 1-2)
 - *Commodity* price: 1-2¢ per cup
 - *Product* price (packaging, distribution, etc. to supermarket for home use): 5-25¢ per cup
 - *Service* price (typical diner, coffee shop, etc.): 50¢ - \$1.50 per cup

Commoditization of Goods

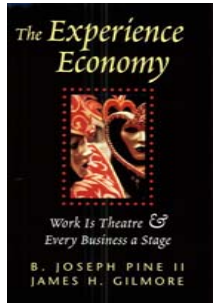
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Commoditization of Goods

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 - Paper: once a precious resource of kings
 - Now sold by the ream (if not the case)
 - **Computers**: once a precious resource to only the largest companies
 - Now sold to families as an essential component of the modern household

Commoditization of Services

- Services are becoming commodities, too!
 - Price wars and 'productization'
 - Telephone service
 - Local, long distance, wireless
 - Price, price, price!
 - Bookkeeping/Accounting services
 - Quicken, TurboTax, etc.



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Commoditization

Goods become commodities.
Services become 'productized'.
What's next?

Differentiated

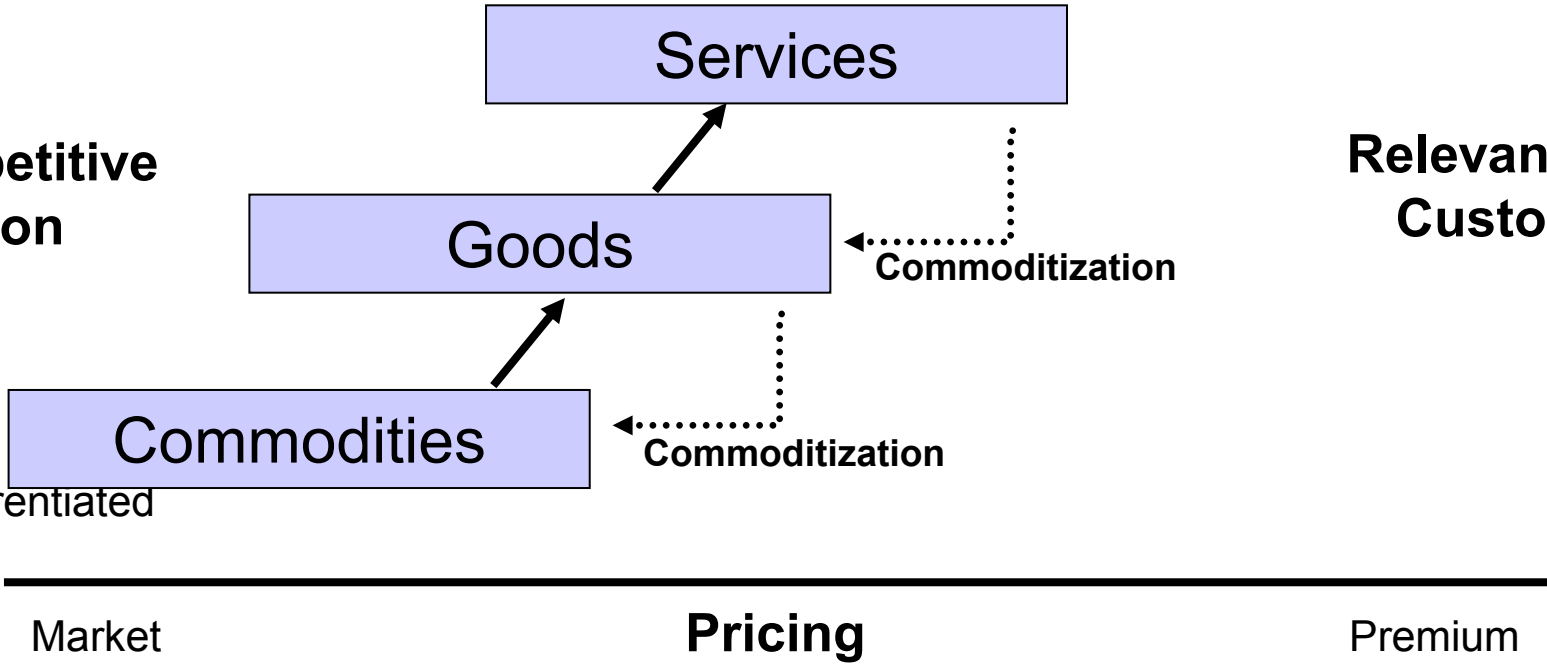
High

Competitive Position

Relevance to Customers

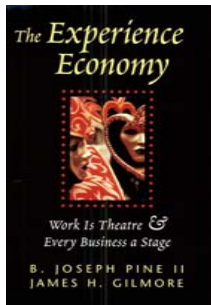
Undifferentiated

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What Displaces Services?

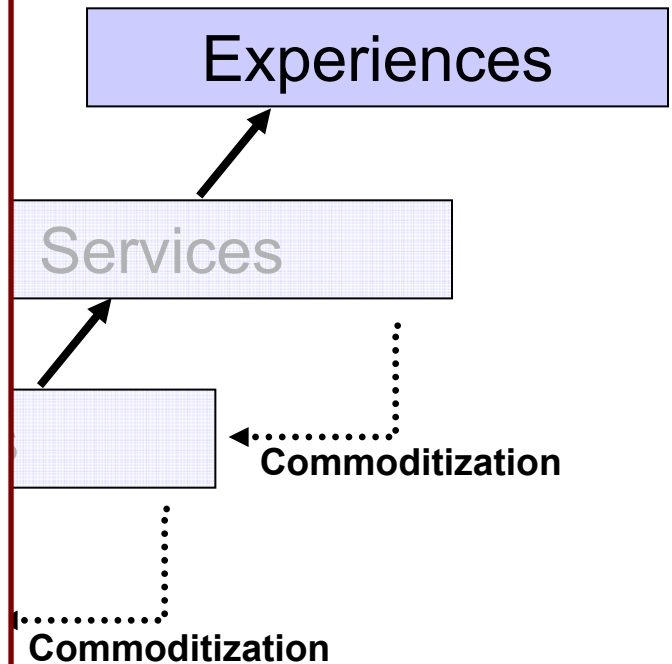
- The parable of the coffee bean (revisited)
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 - *Service* price (typical diner, coffee shop, etc.): 50¢ - \$1.50 per cup
 - ***Experience*** prices:
 - 5-star restaurant, Starbucks \$2-5 per cup
 - Café Florian, St. Marks Sq., Venice \$15 per cup



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The Experience Economy!

- Experiences are **events that engage** at a personal level
 - No two are alike!
- Experiences are **memorable**
- You don't just serve customers, you establish a **relationship** with them
- The **work** may end when the performance is over but the **value** persists in the memory of the event



High

Relevance to Customers

Low

Market

Pricing

Premium

The *Value* of Experiences

- Classic examples
 - Disney World
 - American Girl Place
 - Museums & Concerts
 - Sporting events
 - Active: Richard Petty Driving Experience, etc.
 - Passive: Red Sox
 - Travel
 - Active: kayaking, golf
 - Passive: Grand Canyon, Paris

The *Value* of Experiences

- Classic examples
 - Disney World
 - American Girl Place
 - Museums & Concerts
 - Sporting events
 - Travel
- “The best things in life are not things.” (p. 20)

Implications for Businesses

- **You are what you charge for!**
 - Transition often begins with giving away experiences to sell existing goods & services
 - Niketown
 - Jordan's Furniture
 - Upscale malls, funky downtowns

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- **You are what you charge for!**
 - Transition often begins with giving away experiences to sell existing goods & services
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 - Upscale malls, funky downtowns
- ... it's creating a place you **want** to visit

So, what does this have to do with *Free, Public Libraries?*

- Earning (and expanding!) public support by improving the 'library experience'
 - Is your library a place that people **want** to visit?

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So, what does this have to do with *Free, Public Libraries?*

- Earning (and expanding!) public support by improving the 'library experience'
- What would we do differently if we charged admission? (p. 62)
 - What would it take for people to **want** to experience the library even if it wasn't 'free'?
 - What would it take to get **more/new** people to experience the library even though it is 'free'?

Some Ideas for Improving the Value of Your Library

- Destination: Reading!
 - Books are goods.
Libraries/retail are services.
 - What's your library experience?
 - Is your library...
 - A great place for books?
 - Or a great place for people to read, learn, meet, grow?

Some Ideas for Improving the Value of Your Library

- Minimizing *customer sacrifice* (p. 78)
 - What each customer **exactly** wants
 - What each customer settles for
Customer Sacrifice
 - What does someone sacrifice to use your library?
 - Ability to meet and talk to other people?
 - Adequate desk space?
 - Snacks and drinks?
 - Convenient internet access?
 - A view out the window?
 - A feeling that they're welcome?

Some Ideas for Improving the Value of Your Library

- Minimizing *customer sacrifice* (p. 78)
 - Turning the tables...
 - What does someone sacrifice by not using your library? Do they know what they're missing?
 - Free and ready access to a variety of information sources?
 - Archival material?
 - What does someone sacrifice by relying on Google as a reference service?
 - "... reference librarians, of course, use computers, use Google to help them search, but they put some element of intelligence into it that the computer cannot do by itself. [...] the reference librarian will understand emotions and other nonfactual information that even a fully intelligent computer may have trouble with..."
from an interview with Craig Silverstein, Google Director of Technology

Source: CNET news.com May 10, 2004

The *New* Library Experience

- If we don't define it, it will be defined for us
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... but a doubled-edged sword
 - What do we keep? ...discard?
 - What do we add? ...when? ...how?
 - Why?
 - What do our customers really want?
 - Do we have any idea what it would take to get people who **don't** use the library to use it?
 - Taxpayers who are non-users are customers too!

The Commoditization of Library Service

- Pine and Gilmore would have us believe that every useful service will be productized and commoditized
 - Imitation may be a form of flattery, but...
 - It can also be a cause of great confusion

The Commoditization of Library Service

- Pine and Gilmore would have us believe that every useful service will be productized and commoditized
 - Imitation may be a form of flattery, but...
 - It can also be a cause of great confusion
 - The Borders, Barnes & Noble phenomenon
 - They look an awful lot like an idealized snapshot of a library (without the 'bad' parts of the stereotype)

The *New* Library Experience

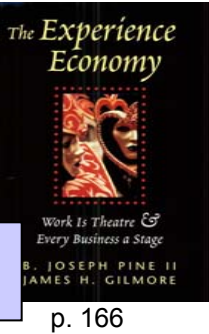
- There are real questions that need to be answered:
 - How is the library different from...?
 - How does the library compete with...?
 - Amazon.com, Borders, Barnes & Noble,...
 - Google, ...
 - Starbucks, ... etc.

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 - How does the library compete with...?
 - Amazon.com, Borders, Barnes & Noble,...
 - Google, ...
 - Starbucks, ... etc.
- If we don't know, we can't expect taxpayers to know!
 - To some, they can look like a library without the tax burden ('more free than free')

Beyond the Library Experience

- Becoming more like Amazon.com, Barnes & Noble, Border, Starbucks, etc.
is ***not*** necessarily the answer!
- If library service gets commoditized, what's next?



Progression of Economic Value

Transformations

Differentiated

High

Competitive Position

Relevance to Customers

- When you make an experience that is exactly what a person needs at that moment, you **change** the person
- Customers **aspire** to learn what they want to learn, be what they want to be
- ‘the basis of success will be in **understanding** the aspirations of individual consumers and businesses and **guiding** them to fully realize those aspirations’ (p. 173)

Undifferentiated

Low

Market

Pricing

Premium

Libraries *Transform* People

- At every stage of their lives!
 - Toddlers → Students → Adults

Libraries *Transform* People

- At every stage of their lives!
 - Toddlers → Students → Adults
- Guiding people to their aspirations by enabling:
 - Literacy
 - Education
 - Economic Development
 - Knowledgeable, Informed Citizens

A Theme of the Library Experience/Transformation ??

- Reading + Imagination = Success
 - At whatever you do
 - At everything you do

A Theme of the Library Experience/Transformation ??

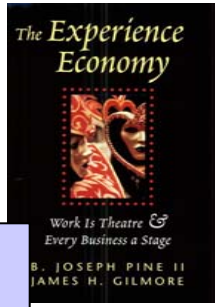
- Reading + Imagination = Success
 - At whatever you do
 - At everything you do
- A cornerstone of the American experience
- A cornerstone of every public library

Shaping the Future Together

- What's right for your library?
 - Services
 - Experiences
 - Transformations

Shaping the Future Together

- What's right for your library?
 - Services
 - Experiences
 - Transformations
- Some improvements don't need money!
 - “The first requirement for workers in a transformation business is that they truly care.”
(p. 182)



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Progression of Economic Value

