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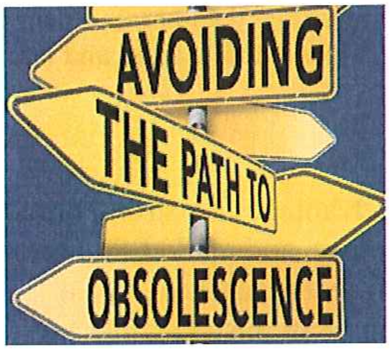

Avoiding the Path to Obsolescence

By Steven Smith and Carmelita Pickett

Riches-to-rags tales in retail business hold survival tips for libraries

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Blockbuster was much in the news last fall, though not in the favorable light it once enjoyed. The cultural phenomenon and former stock market darling that once prospered through aggressive marketing, savvy exploitation of technology, and keen insights into customer preferences, filed for bankruptcy in September 2010. Though some analysts thought the filing could give the franchise time to reinvent itself, others predicted that the onetime video-rental colossus is steps from the graveyard of retail obsolescence.

There is a lesson or two for libraries in this riches-to-rags story.

In the *New Yorker*'s October 18, 2010, "Financial Page" column, James Surowiecki catalogs a few of the causes of the company's decline. Blockbuster was born in the age of the "category killer" – bricks-and-mortar stores that "killed off all competition in a category by stocking a near-endless variety of products at prices that small retailers couldn't match." Many of these establishments are still healthy, Surowiecki explained. But others – Toys R Us, CompUSA, Circuit City, Borders Books and Music, and Barnes and Noble, for example – have either given up the ghost or seem to be in their death throes.

The internet has played an important role in this trend. Newer businesses that were born during the wired era, have outplayed their older and less-agile competitors by more aggressively exploiting the advantages of networked technology. This has been especially true in the case of brands operating in well-defined niche markets, such as video rentals. Netflix simply beat Blockbuster's time – soundly. The ease of selection, delivery, and return – coupled with a recommendation system that, though not perfect, is better than the advice offered by the average

Leave your baggage behind

Are we throwing good money after bad? Should we have been building the electronic library instead of – rather than on top of – the traditional library? For Blockbuster, the clicks-and-mortar approach meant spending lots of "money and time integrating an entirely new information-technology system into the one its stores already had," a circumstance that will sound wearily familiar to many librarians. (Ask anyone who has attempted to integrate an enterprise resource management module or a new discovery tool into an existing integrated library system.)

In the meantime, Netflix's focus was on "making its distribution system bigger and more efficient." Of course, it had the advantage of a clean slate, which meant that it could more easily imagine and build a system unconstrained by a previous model. Netflix was not burdened by the need to support and retain a lot of practices, services, and structures that had once worked well. It had the freedom to focus exclusively on the needs and wants of consumers. In this process, technology itself was secondary, a means to an end. Customers were the point.

But Netflix does not have time to rest on its laurels either. The distribution model it has used so effectively is changing, evolving from a mail-order system where networked computers facilitate discovery and ordering to a fully automated system where streaming and downloadable video close the circle to form a fully net-enabled process. In these circumstances, an efficient snail-mail order operation will not suffice. The key to remaining competitive in the next round of this game would seem to be accurately anticipating what networked devices most people will watch videos on in the next few years, and then quickly building the pipelines necessary to feed product to those devices.

But guessing correctly, while important, is not really the key. What matters is responding to customer wants and needs in a timely and efficient manner, even at the expense of letting go of past practices and tools no matter how cherished or successful. A baggage-free focus on customers is what gave Netflix its original competitive advantage.

Innovating past the graveyard

It would behoove libraries to adopt a similar focus. A very simple formula is at work in determining satisfaction for most library users. If a patron comes to the library or logs in and finds what she wants, or a close approximation to it, she is happy. To the extent that she does not, she isn't.

Period.

Impressive buildings, glitzy web pages, fat acquisitions budgets, high volume counts (whether electronic, print, or both) are fine, but they are not the most important thing – which is simply whether or not the patron is able to locate the answer, fact, statistic, idea, or data set she needs – and the quicker and easier, the better.

Libraries used to score highly on this metric by owning a lot of things and keeping them close at hand. Now, more and more, they ring the user-satisfaction bell by connecting to a lot of things, regardless of where the items are, who owns them, what time of day it is, or where the patron is. The old, ownership-based system is akin to the just-in-case business model, where companies keep lots of stock on hand just in case someone needs a particular widget or gizmo.