Macmillan eBook boycott impact analysis

Audience for this document:

* Libraries that are considering a boycott of Macmillan eBooks and are wondering how that would impact Macmillan and their patrons
* Libraries that have already chosen not to purchase Macmillan eBooks who would like to understand more about how and why it’s working

Most boycotting libraries ceased to purchase Macmillan on November 1, 2019, and so now have over 10 weeks of data and feedback on how it’s going. This document summarize:

* Financial impact on Macmillan
* Impact to circulation
* Patron responses
* Library stakeholder responses to boycott proposals (such as boards of trustees, county boards of supervisors, etc.)
* Other FAQs

If a library is considering a boycott and has questions, they are welcome to submit those here and we will address them as quickly as possible.

<https://www.wcls.org/boycott-interest-form/>

Notes:

* This is a living document. If feedback from the libraries using it merit an update, we will update it and report the update in the weekly email.
* Not all libraries are comfortable with the term “boycott,” and prefer terminology such as “cease purchasing.” We use the term in this document because it is simple and clear. No general pro- or anti-business sentiment is intended and we respect individual library’s decisions regarding the terminology to use in their communications.

# Financial impact on Macmillan

**Number of boycotting systems**

As January 16, 2020, 79 library systems and consortia [have ceased to purchase Macmillan eBooks](https://www.wcls.org/library-boycott-of-macmillan-ebooks/) in protest of their new sales policy, which [limits library eLending](https://www.publishersweekly.com/pw/by-topic/industry-news/libraries/article/81666-as-boycotts-mount-macmillan-ceo-defends-library-e-book-embargo.html). These libraries represent 1,163 locations in 28 states, and serve 47.9 million people, which is 14% of the total U.S. population and equivalent to the total populations of California plus New York City.

**How much difference does that make to Macmillan’s revenue?**

Investigation shows that despite Macmillan’s claims about desiring to “restore balance,” the embargo is simply an attempt by Macmillan to boost revenue in the same way that they increased their base price from $40.00 to $60.00 in 2018. Dianne Coan, Division Director of Technical Services at Fairfax County Public Library (FCPL) conducted this analysis into how it works:

Liane Moriarty’s *Nine Perfect Strangers* was released in November 2018. At FCPL, 400 readers requested the book before its release, and in response, the library purchased 67 copies at $60.00 each. Adjusting for OverDrive’s cut of the revenue, Macmillan earned $2010 from FCPL.

If *Nine Perfect Strangers* had been released in November 2019 and under the embargo, [according to Macmillan, 8%,](https://www.publishersweekly.com/pw/by-topic/industry-news/libraries/article/81666-as-boycotts-mount-macmillan-ceo-defends-library-e-book-embargo.html) or 32, of the 400 readers who wanted the book would have purchased it rather than waiting. These retail purchases will have generated $336.00. After the embargo, the library purchases 62 copies to cover the remaining 368 readers who were willing to wait. If FCPL purchased the discounted initial copy, this will create $1830.00 in revenue for the Macmillan. With the retail sales, they receive a total of $2180.78, which is an 8.5% increase over what they would have received before the embargo.

However, FCPL has ceased to purchase Macmillan eBooks. Assuming the 32 people who want the library book go on to buy it because the library doesn’t have it, Macmillan generates $336.00 instead of the $2010.00 they earned before the embargo, a loss of 83%.

In other words, the boycotting libraries are making a difference, creating an 83% loss in revenue instead of an 8.5% gain. If about one in 10 library systems cease to purchase Macmillan eBooks, they will offset the gains Macmillan hoped to make and ensure that its revenue is flat. For every library that boycotts after that, Macmillan will see a net loss on the embargo strategy.

Below are the details in a table:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2018** | **2019 (no boycott)** | **2019 (boycott)** |
| Patrons who want to read the book | 400 | 400 | 400 |
| Copies purchased on street date | 67 | 1 | 0 |
| Macmillan total (library sales) | $2,010.00 | $15.00 | $0.00 |
| Embargo induced retail purchases |  | 32 | 32 |
| Macmillan total (retail sales) |  | $335.78 | $335.78 |
| Remaining holds after embargo period |  | 368 |  |
| Copies purchased after embargo |  | 61 |  |
| Macmillan earns (library post embargo) |  | $1,830.00 |  |
| Macmillan total | $2,010.00 | $2,180.78 | $335.78 |
| % change |  | 8.5% | -83% |
|  |  |  |  |
| **Variables** |  |  |  |
| Holds ratio | 6:1 |  |  |
| Library purchase price (1st copy) | $30.00 |  |  |
| Library purchase price (not 1st copy) | $60.00 |  |  |
| Macmillan percentage on library sales | 50% |  |  |
| Retail purchase price | $14.99 |  |  |
| Macmillan percentage on retail sales | 70% |  |  |
| % of readers who will buy rather than wait | 8% |  |  |

**Are we at 1 in 10?**

Not quite, although we believe we are close. In the 2017 IMLS Public Library Survey, 7162 libraries recorded spending on electronic materials. Of those, 604 libraries are currently boycotting Macmillan eBooks, or 8.4%.

**Won’t an eBook boycott simply drive more spending on print materials so Macmillan makes revenue either way?**

An eBook boycott will increase print circulation to some extent, but the amount is a fraction of the amount Macmillan makes from eBooks for two reasons:

1. Macmillan makes far more money on an eBook sale than on a print sale.
   1. It earns $30 for every copy we purchase of *Nine Perfect Strangers*, while it makes about $9.00 from a hardback purchase.
   2. Its margin (revenue minus cost) is much higher on eBooks than on print, which require paper, distribution, storage, etc. According to a [blog post by author Hugh Howey](http://www.hughhowey.com/two-important-publishing-facts-everyone-gets-wrong/), the publisher margin on a print book is 41% while the margin on an eBook is 75%. If we apply these percentages to the revenue above, we see that for an eBook version of *Nine Perfect Strangers*, Macmillan clears $22.50 while the print book clears $3.69.
2. Most library eBook readers will turn to eBooks from other authors rather than the print format of a book we’re not buying. A [recent survey](https://jclibrary.info/research-learning/ebook-eaudiobook-2019-survey/) of 891 people by Jefferson County Library in Port Hadlock, WA asked what eBook readers do after choosing not to place a hold on an eBook.

|  |  |  |
| --- | --- | --- |
| **Answers** | **Count** | **%** |
| Look for another eBook/eAudiobook that is currently available | 501 | 56% |
| Search for the title in print or as a book-on-CD | 264 | 30% |
| Purchase the item | 70 | 8% |
| None of the above | 56 | 6% |

If we apply these numbers to the scenario above, 30% of the 400 people (120) who want a popular book like *Nine Perfect Strangers* will place a hold on the print copy. With a 6-to-1 holds ratio, FCPL will purchase 20 more copies of the book. Macmillan’s profit on that purchase will be about $73.80. When we add that to the amount that Macmillan makes from retail eBook sales, Macmillan clears a total of $325.59 in profit compared to the $1507.50 it would have made before the embargo.

In other words, libraries will probably incur a small increase in the amount of money they would normally spend on hard back copies, but because Macmillan profits so much more from eBooks than from print books, the decision to support patrons with print materials still significantly impacts the Macmillan bottom line.

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2018** | **2019 (no boycott)** | **2019 (boycott)** |
| Patrons who want to read the book | 400 | 400 | 400 |
| Copies purchased on street date | 67 | 1 | 0 |
| Macmillan revenue from library sales | $2,010.00 | $15.00 | $0.00 |
| Embargo induced retail purchases |  | 32 | 32 |
| Macmillan revenue from retail sales |  | $335.78 | $335.78 |
| Remaining holds after embargo period |  | 368 |  |
| Copies purchased after embargo |  | 61 |  |
| Macmillan revenue after 8 weeks |  | $1,830.00 |  |
| Macmillan total revenue | $2,010.00 | $2,180.78 | $335.78 |
| Macmillan total profit | $1,507.50 | $1,635.58 | $251.83 |
| % change |  | 8.5% | -83% |
| Readers turning to print |  |  | 120 |
| Print copies purchased |  |  | 20 |
| Macmillan revenue from print |  |  | $179.90 |
| Macmillan profit |  |  | $73.76 |
| Total profit | $1,507.50 | $1,635.58 | $325.59 |
| % change |  | 8.5% | -80.1% |

|  |  |
| --- | --- |
| **Variables** |  |
| Holds ratio | 6:1 |
| Library purchase price (1st copy) | $30.00 |
| Library purchase price (not 1st copy) | $60.00 |
| Macmillan percentage (library) | 50% |
| Retail purchase price | $14.99 |
| Macmillan percentage (retail) | 70% |
| % of readers who will buy rather than wait | 8% |
| Margin on eBook | 75% |
| Margin on print book | 41% |
| Readers who choose print version | 30% |
| Hardback purchase price | $17.99 |

# How has the boycott impacted circulation and spending?

At FCPL, which serves 1.1 million residents in northern Virginia, the funds previously allocated to Macmillan eMaterials were redirected to publishers who are willing to work collaboratively with public libraries, so they did not see any decrease in spending and also did not see a decrease in circulation. They conducted proactive communication with patrons, which may have mitigated a drop in the circulation that under normal circumstances would have gone to Macmillan titles.

Washington Digital Library Consortium (WDLC), serving 826,000 Washington State residents saw circulation in the last two months of the year (during the boycott) fall only 2% below expectation. Since Macmillan represented approximately 5% of its circulation in the prior year, they conclude that readers who normally would have discovered Macmillan books are discovering Macmillan’s competitor authors instead.

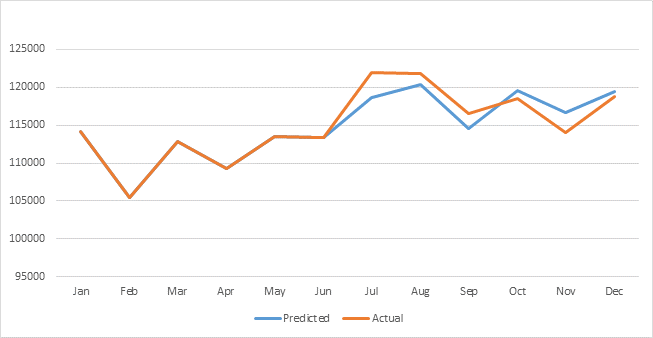
These numbers are in line with the findings in the Jefferson County Library survey in which 56% of patrons said that after deciding not to place a hold on a book, they search for other available eBooks (as opposed to searching for the print version or buying the book).

Note: Because WDLC is deeply concerned about the sustainability of its service, given that costs have increased by double-digit percentages over the last three years, they were glad to have an opportunity to see what would happen if they stopped spending on one of their most expensive publishers.

**Further details on WDLC circulation:**

* WDLC began the Blackstone Audiobook boycott in July – Blackstone circ historically has represented about 2% of total circ.
* WDLC began the Macmillan boycott in November. Macmillan circ is about 4.8% of total.
* Predicted circ is based on the average month-to-month change in circulation over the prior three years.

|  |  |  |  |
| --- | --- | --- | --- |
|  | Predicted | Actual | Diff |
| Jan | 114222 | 114222 |  |
| Feb | 105433 | 105433 |  |
| Mar | 112899 | 112899 |  |
| Apr | 109311 | 109311 |  |
| May | 113550 | 113550 |  |
| Jun | 113369 | 113369 |  |
| Jul | 118625 | 121906 | 2.77% |
| Aug | 120357 | 121782 | 1.18% |
| Sep | 114598 | 116603 | 1.75% |
| Oct | 119624 | 118564 | -0.89% |
| Nov | 116611 | 114084 | -2.17% |
| Dec | 119431 | 118736 | -0.58% |



It looks like the Blackstone boycott did not cause any dip in circulation, which mostly exceeded expectations. It’s tempting to say that the drop in circ in the last quarter may be due to Macmillan, but the drop begins in October and the Macmillan boycott didn’t start until November, so it’s hard to say.

# Patron impact

There is no escaping the fact that the boycott impacts patrons. For those who want a specific title in a specific format, learning that we will not buy the item right now is a disappointment. Anecdotally, these patrons “get it” when we explain the boycott rationale, but it is still not the positive interaction we would like to have with them.

Fortunately, per the Jefferson County survey, over 80% of patrons are willing either to find something else to read in the eBook format or to check out the print format of the title they want.

And we have found that the boycott, while disappointing for some patrons, has given us the chance to connect with other patrons who would have been otherwise unaware of the issues with eBooks and our efforts to advocate for them and to spend taxpayer money wisely.

According to FCPL:

*In October, FCPL communicated to customers regarding the coming embargo. The library provided information regarding the business decisions by both Macmillan and the library leading to FCPL’s decision to stop purchasing Macmillan eMaterials. FCPL also let customers know that the funds previously allocated to Macmillan eMaterials would be redirected to publishers who are willing to work collaboratively with public libraries. As a result, the level of customer anxiety has been low and general feedback has been positive.*

FCPL was concerned about how patrons would react prior to deciding on the embargo, but decided to be proactive with patron communication. According to Dianne Coan, “With talking points, research, and other supporting information, libraries can be proactive in communicating their actions and the impact they would have on their readers. Fairfax County customers would let us know if they felt the library was not explaining our position well. Instead, we have had positive interactions regarding our stance.”

Timberland Regional Library, which serves about 500,000 residents in Washington State said, about the patron response to their patron [information page](https://www.trl.org/why-we-are-boycotting-ebook-and-digital-audiobook-landscape-libraries):

*“Since Sunday, we have received about 6 emails in support from our patrons. They also really appreciated the detail we provided.”*

WDLC has likewise reported mostly positive feedback. One librarian described her experiences after an article about the embargo and boycott appeared in the local paper.

*On Friday, a patron walked up while I was at the desk to express general dismay (toward the publisher(s)) and support (for the library) after seeing the news article last week. He had a few questions. It was a short conversation, but positive and supportive.*

*On Saturday, I attended an all-day union training…One local whom I recognized as being a library user works in town for waste water. He came over at the lunch to express some really positive things about the library…and also talk about the news article.*

## Patron communication best practices

**Staff talking points:** Many libraries have created material to share with staff so that they have it as a resource when talking with patrons.

FCPL was concerned with the burden that a boycott might place on front-line staff who might deal with angry patrons. They report rather that staff was happy the system had decided to take a stand and appreciated [the informational web page](https://research.fairfaxcounty.gov/c.php?g=980622&p=7093220) they could use for customers who wanted more information.

**Patron requests for boycotted material:** Some patrons have taken the time to fill out request forms for the eBook format of a Macmillan eBook. In this case, WDLC has a boilerplate email template that explains the boycott to patrons and offers to connect with them with the print version or with alternatives instead. Patrons usually do not reply to these emails but when they do, the response has been positive.

**Patron holds on expired items we are not repurchasing:** WDLC also has email templates for expired Macmillan eBooks that we have chosen not to repurchase.

Sample talking points and our email templates are part of the boycott toolkit [here](https://www.wcls.org/macmillan-boycott-toolkit/) and other libraries are welcome to repurpose them.

# Stakeholders who need to support or approve a boycott

Most libraries have a board of some kind that needs to support if not overtly approve something as significant as a boycott. Both FCPL and many libraries in the WDLC report positive interactions with their boards when library leadership explains the rationale for the boycott.

FCPL’s Board of Trustees supported staff’s business decision to stop purchasing Macmillan eMaterials and County Executive Bryan Hill is a signatory on the Urban Library Council’s [Statement on Equitable Public Access to E-Books](https://www.urbanlibraries.org/initiatives/statement-on-equitable-public-access-to-e-books). Neither the Library Trustees nor County Board Supervisors received negative feedback from the community regarding this decision.

Whatcom County Library System (which is a member of WDLC) created a set of talking points for the presentation to our board of directors. While board members had questions, none expressed the opinion that Whatcom County Library System should not boycott.

Note: One of ULC’s initiatives is equitable access to eBooks and [their materials](https://www.urbanlibraries.org/member-resources/fair-e-book-and-e-audiobook-lending-for-libraries) might be useful in preparing presentations for stakeholders in government roles.

# FAQs

**Is ALA against a boycott?**

Because of its tax status, ALA is unable to take a position for or against a particular business. As such, ALA itself has no official position and individuals who are acting under its auspices have chosen not to speak about it. It has discouraged discussion of the boycott option on its message boards and at its conferences so that no position on a boycott is implied.

(This is also true for ULC and COSLA and of course, PLA, which acts under ALA).

As such, the boycotting libraries are indebted to other organizations such as [ReadersFirst](http://www.readersfirst.org/) for helping share information.

Notably, the fact that so many libraries have chosen to boycott even without the assistance of our usual venues for communication and feedback is a testament to how important the boycotting libraries feel it is to vote with their dollars in protest of the Macmillan embargo.

**Is my library too small to make a difference?**

There are two answers to this question:

Individually, no library or consortia in the country is big enough for a boycott to impact a publishers finances. We can only make a difference collectively. In that sense, no library is too small. This is especially the case now as we approach the tipping point at which Macmillan will begin to lose money on the embargo strategy.

Every library has to decide: will it continue to purchase Macmillan eBooks under the embargo, which does enable patron access to Macmillan eBooks but also rewards the company with greater profits? Or will it use its purchasing power to reward the publishing companies that care about us as customers and don’t attempt to control our patrons’ access.

**My library is part of a consortium. Can we boycott if the whole consortia isn’t doing it?**

Some of the boycotting libraries are currently parts of consortia that are not boycotting as a whole. We do not currently have details on how this works in practice, whether these libraries simply are not purchasing extra copies for their Advantage plans or are handling their contributions to the consortia in some other way. If a library has questions about this, we are willing to reach out to these libraries to understand logistic better. Send us your questions [here](https://www.wcls.org/boycott-interest-form/).

**My library isn’t purchasing Macmillan eBooks in the first 8 weeks but is purchasing after that. Does that help?**

The decision not to buy the single discount Macmillan copy on the release date certainly helps with patron frustration on popular titles since the wait times on those copies otherwise quickly mount to more than six months. Since the discount copy is OC/OU rather than metered access, it also may be a good investment over the long term.

Financially, however, we believe that this approach does not negatively impact Macmillan and may actually increase their revenue even more. We hope to do some more research into this in the future.

**My library has reciprocal eBook buying with another library. How does that work if one boycotts and the other doesn’t?**

King County Library System, which is boycotting, has a reciprocal borrowing agreement with Seattle Public Library, which is not boycotting. Since the two systems work together on other initiatives, they agreed to go forward in this way and Seattle has committed to watching carefully whether their request counts on Macmillan eBooks go up because of reciprocal borrowers. In other words, the two systems have agreed to work it out between them if the numbers show that there is an undue burden on Seattle.

**A boycott obviously impedes patron access and this is counter to what libraries are supposed to do. What about that?**

Yes, a boycott impedes access, but choosing to purchase embargoed books also impedes access. The boycotting libraries choose to boycott because we believe it is the only way to restore access. If, alternately, we allow one publisher to control access, we tacitly communicate to all of them that it’s acceptable. There is more information on our thoughts about access [here](https://www.publishersweekly.com/pw/by-topic/industry-news/libraries/article/81688-editorial-why-we-are-boycotting-macmillan-e-books.html).

# APPENDIX

**More details on the boycotting libraries**

The systems include:

* State libraries that provide eBooks to all residents, such as the State Libraries of North Dakota, Kansas and South Carolina
* Public libraries with their own eBook collections, such as Fairfax County Public Library (VA), King County Library System (WA), and Sacramento Public Library.
* Consortia of public libraries, such as Kentucky Libraries Unbound, the North Carolina Digital Library, and the Washington Digital Library Consortium.
* One school library: Napa Unified School District in Napa, CA.

**Sizes**

The median size boycotting library has a service area population of 218,000. (In other words, half the boycotting libraries have a lower service area population and half have greater)

The smallest system boycotting is Estes Park Library in Colorado with a service area population of 12,000 while the largest is the Wisconsin Public Library Consortium, serving 5.8 million.

**Boycott flavors**

All of the libraries in the list have ceased to purchase Macmillan eBooks, either for some length of time or until such time as Macmillan drops the embargo.

**Lengths of time** range from 12 weeks to a year and usually include the caveat that the libraries will review whether to continue the boycott when the time period has lapsed.

(We are not currently including in the list libraries that have decided to refrain from purchasing eBooks during the embargo period but plan to purchase as usual after that.)

**Formats:** some libraries are refraining from purchasing both Macmillan eBooks and eAudiobooks, although the latter are not embargoed. The libraries in South Carolina are boycotting all formats, including print and Audiobook on CD.

**Consortial variations:** some libraries are part of consortia and are boycotting although other libraries in their consortia are not. Other consortia vote on whether or not to boycott or an executive committee decides.