

Q: Welcome to *Beyond the Book*. My name is Chris Kenneally. I'm director of author relations for the nonprofit Copyright Clearance Center. I've been attending the Tools of Change Conference sponsored by the O'Reilly Media Group, and with me is Bob Young, who is the CEO of lulu.com. Welcome, Bob.

A: Chris, it's a pleasure to chat with you this afternoon.

Q: Well, the reason I brought you in here is because you have an interesting business that I think is probably gathering some momentum. It seems to me this conference here is really getting energized by the idea of what I call do-it-yourself content and people being able to publish. Certainly, people have published with blogs and all of that online and they're very much accustomed to that, but – and print on demand isn't new either. But somehow bringing it all together and really pushing it out to the world in ways that truly are reaching people just seems to be catching on. Have I got that right, do you think?

A: That's certainly our sense of it. Lulu's been around now for five years and our growth rate has the classic hockey stick curve to it. And it all relates to the fact that when you do something new – and the Internet has allowed authors to bring their works directly to market – it takes a long time to reprogram our society, to get consumers to accept that this may be an acceptable way to acquire books. It takes a while to convince authors that they don't actually need Random House to represent them, to bring their books to their audience.

And suddenly this year, all the pieces are falling into place. You have new e-book readers that are coming out. You have – in a bizarre way, this recession that we're all whining about, in a recession, everyone starts to figure out how to do things more efficiently than they used to. And we've got one of the most efficient ways of connecting authors directly to readers that the world has ever seen. This is the magic of the Internet. It's an exciting time to be in this business.

Q You mentioned the recession and the way it kind of concentrates people's energy. You also said at a roundtable discussion for CEOs this morning something else that had a kind of morbid comedy to it, which is that people always want to write, but they don't have the time to do it, and now that's changed.

A: Very sadly. A lot of very talented people have lost their jobs and are sitting at home in front of the television feeling sorry for themselves. What do I do now? And these are highly educated. Our society has spent a lot of money educating these people that we're now putting out on their sofas.

And suddenly these people realize that their value was not as an employee. Their value is much more intrinsic than that. They know things that no one else on the planet knows as well as they do. They are capable of writing things or creating things for markets, for narrow markets that no one else has thought of.

So whether it's a particular technology – they might be a quantum physics expert and they want to write the book that no publisher would go anywhere near on quantum physics because it's such a small market, but yet using the Internet and using tools like We Read, you only have to sell a couple of hundred to make good money selling your book on quantum physics.

Q: And it also seems to me that the book could be a bridge to your next position as well. It's not anything new. It's an old model that experts of all kinds have been publishing books – often self-publishing books – to market themselves, to brand themselves, and in the past that would have required going to the so-called vanity presses and investing a lot of money and needing a garage to put the books in. That's all gone.

A: That's the exciting thing is suddenly, you can publish your work for no money at all, because for Lulu, we can help you do that because it doesn't cost us any money to host your content. So you go through our automated process.

Once we built it for the first person – and of course it cost us millions of dollars to build the thing. But each additional author who uses it to publish his business costs us pennies in terms of storage and electricity and whatever else.

So suddenly, yes, you can sell your book, and the challenge you've got, like every entrepreneur on the planet going all the way back to Charles Dickens who self-published his novels initially, is you've got to get out there and make it happen. You have to identify who the market for your book is. Once you do that, there are the tools on the Internet, Lulu among them, that will help you be successful.

Q: Let's put some numbers to this and then I want to ask you the other side of the coin, which is how this is changing the way publishers are working. But first, tell us about the number of titles that Lulu has published, how many copies, any way to sort of quantify all of this for us so we get a sense of the size of the phenomena.

A: It is a phenomena and we joke about Authorgeddon, which is a play on Armageddon, being the end of the world will be – and if you look at the two charts, the growth in number of authors compared to the growth in number of readers. Most people on the planet know how to read. Yes, there's still pockets of illiteracy that we have to address, but there are more authors. That chart –

So when those two lines intersect, will be Authorgeddon. We will have more authors on the planet than we have readers. In theory, that's a bad thing until you stop and recognize that the people as a group who buy and read the most books are in fact authors. So at the point that we have as many authors as we have readers, we'll be at the perfect equilibrium.

But just at Lulu alone – we’re just one of the players in this space – we’re talking about well over half a million authors who have published well over 800,000 titles, and these numbers are continuing to grow up this hockey curve.

And it’s a very exciting time for us, again, because of the e-books, because of all the attention that this is getting, and because there are so many talented people who are looking for a second income or maybe a primary income now, that people are looking for tools like ours.

Q: Now, those titles include what kinds of published formats? Do they include e-books as well?

A: Yes. In effect, conceptually, we separate the content from the reader. So when you think about it, a book, a physical book, is actually a dead tree. It’s paper. And it’s a form of reader. It’s a very well-crafted form. Our society has spent 500 years figuring out how to make paper of the quality and consistency we do, figuring out how fonts work properly, how to lay them out effectively. Books are very good readers.

But we also do CDs if you want to put your book on a CD and distribute it that way. And of course we do e-books in a wide variety of formats. We think authors want access to all of these venues. They don’t want to have to choose between one and the other.

The interesting thing about the whole social networking phenomenon, of course, is the opportunity – we’re not really competing with the publishing industry. We’re opening up a market that the publishing industry simply wasn’t structured to serve.

Q: Let’s just go into that a little bit further. They weren’t structured how, and have they missed an opportunity? How many publishers know the experience of turning away so many authors? It’s a kind of a crazy business. You’ve got customers that you’re turning away. Those turned-away authors may be coming to you, right?

A: They’re all coming to us. And in fact, we spend a lot of time talking to publishers saying, look, don’t turn away authors. Challenge the author to publish it himself on Lulu. If he can demonstrate to you that his book actually has demand, you as the publisher will be all over him helping him take it to an even larger market.

That’s what publishers do really well. Just picking one example, Harry Potter is a worldwide phenomenon. The publishing industry and the book distribution industry were essential in turning it into a worldwide phenomenon. Lulu is hard pressed to do that for you to the point where my daughter in Raleigh, North Carolina, is reading the same book as her best friend in London, England. That’s what we need to do in this world. We need more reasons to connect to each other.

So if you accept that what publishers really do is identify the very best and the very most relevant content, then they're not set up to deal with 500,000 authors. Their job is to take the best of those authors and distribute them more widely than the author could himself. So in effect, a publisher is the sales and marketing department of the author's product development company. And they do it very, very well.

So their opportunity is instead of being cavalier and issuing rejection letters, work with organizations like Lulu in order to help their authors see if there's a market for the books and the content the author is capable of creating.

Q: So in a sense – and you've got a baseball cap on. We'll talk about that in a minute. But Lulu is farm team, in a sense, for publishers and for authors themselves.

A: Yes, the publishers – some publishers would like to think of us that way. I think of us more like, what sports do they play on Mars? If you accept – and I do –

Q: By the way folks, he got a blank stare from me. I have no idea what the Martians play.

A: So here's my point. If you accept that the major publishers – Random House, HarperCollins – are in fact the major leagues, we're more like Martian polo. We're a completely unrelated game that just so happens to have an intersection, which is that our authors make very good money on Lulu. We're serving the long tail. The best of our authors right now don't qualify for a publishing contract.

Random House would have no interest in our bestselling author who is selling 20,000 books a year. It's not a large number. It's not a bestseller by any publisher's standards, and yet he makes a huge amount of money on Lulu because he is an expert in a particular technology, in a Zen Cart. It's a shopping cart technology, and people around the world who need to use this technology have to go to this author to acquire the Zen Cart book. There aren't that many of them. Let's get right down to it. And in fact, I don't think he's 20,000, I think he's like 5,000 a year and he's been doing it for five years.

But he's making in the region of \$10 or \$15 a book. He's not making 10 percent on the price of the book. He's making \$10 per book. He doesn't have to sell many.

Q: Right. He's cornered the market that he needs to corner and he isn't worried about the rest of it. He doesn't need 500,000 readers. He only needs those 5,000 who actually have the application.

A: And there will be authors who will in fact sell millions of copies through Lulu who don't need a publisher because they are Internet phenomena. We think of it as the Beanie Baby phenomenon that created eBay.

As our authors become bigger and bigger sellers and as the more well-known Internet publishers, authors, realize that they don't actually have to sell through the traditional model, they're going to sell most of their books through us.

But having said that, that does not for a second negate the value that the existing publishing industry brings to our society as a whole because the vast majority of us learn about content offline. We learn about it at school, we learn about it in the movie theater, we learn about it in the pages of the *New York Times*, and Lulu does not do that.

Q: Well, let's talk about that hat for just a minute because there's another hat in your background and we want to tell people a bit about you, Bob. You've got the orange baseball cap for Lulu. I guess that's the CEO's cap. There are other caps floating around, TOC. But back in the 1990s, you wore a red hat and you were the founder CEO of Red Hat. That was an open source platform, and is there some relationship to kind of open publishing and what you're trying to do at Lulu with what you were trying to do at Red Hat?

A: That's exactly – your open publishing concept is exactly the connection. It relates to my experience at Red Hat where in the summer of '99, we were ready to go public and there were about seven or eight Linux companies.

Actually, I should back up one step. The value that we discovered at Red Hat in software wasn't that we were a better, faster, cheaper operating system than the operating systems that Sun Microsystems or IBM or Microsoft sold, but that this open source phenomenon was we delivered source code and a license to modify the software. What it meant is the users suddenly were able to use our operating system to build websites and Internet tools in a way that they simply couldn't with the proprietary tools.

The best analogy for non-technical people is the previous model was as if you, when you bought a car, you bought it with the hood locked shut and the dealer got to keep the only key to the hood. So when something went wrong with the car – it started to make a terrible noise – you'd take it back to the dealer. The dealer would open the hood, take one look, close it up and give it back to you and say, oh, no, that's not a bug. That's a feature. And you would have to learn to live with the awful noise your car made because you had no choice. You would be completely dependent on the dealer on the car.

What open source was about was we simply gave you the keys to the hood of the car. You, as an engineering team, you could fix it yourself if you had strong engineers on your team, or you could hire one of a hundred – hundred thousand?

Maybe too many – 10 thousand engineering teams across the world who would be able to help you fix this operating system.

And that's been ever since the success of Red Hat. It's now pushing a billion dollars worth of sales of support services around this free software, as it was called.

What was intriguing to me about that one all along, and as a business guy, what you're always trying to do is create value. If you can create value in your product or service, people will pay you for the value you're creating. And that was the value we saw with Linux and it was a truly inspiring one because our customers were not so much customers as they were fans of ours. They just wanted Red Hat to succeed so much, because what we were doing was giving control. We were empowering customers.

And that's what we're trying to do with Lulu. We're simply saying, why should an author have to ask permission of a publisher before he brings his work to market? The Internet is this medium that connects all of us to everyone else on the planet. What if we build tools that allow the authors or the author's representative, i.e., the publisher, to bring his work directly to market without having to invest in 5,000 copies in a warehouse somewhere and a big marketing budget? Just bring it to market and see if the market likes it.

Q: You've been doing that and so far, they seem to like it. I wish you the best of luck.

We've been talking with Bob Young, CEO for lulu.com. My name is Chris Kenneally, the host of *Beyond the Book* and it's been a pleasure and I hope you'll join us again for another episode.

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