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Issues in Vendor/Library Relations / The Done Deal

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Librarians make all sorts of pricing agreements with their suppliers. Sometimes these arrangements are based on volume. You may, for example, negotiate a service charge percentage with your serials supplier based on a specific amount of money you will spend with them, or you may negotiate a discount on your approval plan with a book supplier. These arrangements are often verbal agreements, although they are commonly confirmed in a letter. Sometimes an actual contract is signed. After careful negotiations between the library and the supplier, the deal is done.

But we live in uncertain times (when were times ever certain?). It is not unusual for a materials budget to be altered during the course of a fiscal year. A three hundred thousand dollar approval plan can suddenly turn into a one hundred and fifty thousand dollar approval plan. Or a sudden grant of funds can enable a library to buy many more books that they had planned for, boosting a firm order deal from one hundred thousand dollars to two hundred thousand.

What are the responsibilities of both parties in this atmosphere of change? How should librarians and vendors react when the done deal becomes undone? Here are two views, one from a vendor (Barry Fast) and one from a librarian (Judy Webster).

From Barry:

It is not uncommon to find myself in this situation. We have made a pricing arrangement with a library to supply books with approximately $150,000 on an approval plan. We have committed to a flat discount of 13%. We know the books are university press titles, and we know that our average discount from the publishers will be 28%. With a margin of 15%, the difference between the discount we get and the discount we give, we will make a gross profit of $22,500 on this particular deal. Out of that we pay shipping in and out, as well as all the other direct and overhead costs of this particular approval plan.

In the midst of the fiscal year we get a phone call from the librarian. With some chagrin in his voice, he explains that the administration has taken 10% of the book budget funds to pay for a shortfall in the serials budget, and as a consequence he is forced to halt shipments on the approval plan. From now until the end of the fiscal year we are instructed to send only forms, and hopefully next year those can be returned as orders. We are most understanding; this is no one’s fault. These things happen.

I put through the work order to change the plan to forms, and then I take a look at this month’s sales and margin report. The library has, so far, spent $90,000 with us. Since no more shipments can be made, that $90,000 is the fiscal year’s total. At my present pricing arrangement I have made a gross profit of $13,500, not the $22,500 I had forecast and planned for. And I have another problem. I will continue to receive the books I ordered for this approval plan for months, each bearing the costs of freight in and the costs of ordering and processing the incoming books, as well as the fixed costs, the overhead, we have allocated to this projected $150,000 approval plan. We are $9000 short on gross profit. The larger issue is — If I had known this was going to be a $90,000 approval plan, I would not have offered 13% flat discount; it would have been something less, perhaps 10%. Because a certain portion of the costs associated with each approval plan are fixed (operating costs for the building, administrative and sales costs, as well as much of the labor costs), we need enough profit margin on each plan, proportionately, to make each profitable. So different levels of volume enable different discounts.

But the deal is undone now. Through no one’s fault the library’s commitment to spend $150,000 with us cannot be fulfilled. Our commitment to give 13% discount, however, has been fulfilled. As the supplier I should point this out and ask that the library pay us an extra $2700, the difference between 13% of $90,000 and 10% of $90,000. After all, I predicated my discount offer on a commitment that the library could not fulfill. Both parties entered into this deal in good faith; one party has, through circumstances beyond its control, reneged. Is there a fair and reasonable way to resolve this undone deal?

From Judy:

Ten years ago, I faced a similar circumstance to the one Barry describes. It was a state government mandated impoundment of funds from the university. The library’s share was $80,000 and we were only three months into the fiscal year. Approval plans were mentioned as the most likely target for reduction. I argued that our approval plans were providing the foundation of our current collecting efforts and that they should be considered previous commitments not unlike subscriptions and standing orders. My argument prevailed and the $80,000 was taken from firm orders instead. It was not a popular decision among other librarians and teaching faculty, but that’s another subject altogether. My point is that I know it can happen.

I considered myself lucky to have es-
caped the dilemma with previous com-
mittments being maintained. We've never
had another impoundment, but I have
learned to be very cautious about enter-
ing into verbal agreements that I cannot
personally guarantee. I have consistently
refused to accept deals that offer an
attractive discount for an indefinite or fixed
period of time, but I worry that my insti-
tution is paying more for its library ma-
terials than others. Am I being too strict?
Should I be more casual and say, "Sure,
I'll accept your offer for the next fiscal
year?" even though I know that if a fi-
nancial crisis came, I would not have
complete control over where the reduc-
tions were taken?

This year, we have undergone a thor-
ough review of journal subscriptions and
have changed from a consolidated list
with one vendor to a more diversified
arrangement with multiple agents. One
of the benefits of undergoing the review
was the resulting favorable service charge
arrangements that resulted. These offers
are in writing and are based upon a cer-
tain volume of business. Once again, I'm
faced with a dilemma of selectors and
teaching faculty wanting to cancel subscrip-
tions for reasons of cost increases
while struggling to maintain the volume
of business previously agreed upon. It
means that cancel and substitute maneu-
vers must be scrutinized very carefully.
I'm trying my best to hold the line. At
this time of year, my first line of defense
is to say that cancellations will take ef-
fect in 1995. My subscription agents will
be within their rights to review my vol-
ume of business for 1995 and to revise the
service charge arrangements if I have
not maintained the estimated volume of
business we previously agreed upon.

Traditionally booksellers and sub-
scription agents have viewed these un-
foreseen financial crises in libraries as
short-term problems and taken the longer
view of the negative public relations that
would result from revising a discount
after the deal was undone. We should
recognize that undone deals may result
in extra charges for libraries.

Papa Lyman Remembers

by Lyman Newlin (Book Trade Counsellor)

Lyman Newlin has the best memory
for names, places, and people that I know.
Here we have the benefit of one of his
memories. Thank you, Lyman! You might
also recall that Sara Miller McCune
spoke extensively of Jeremiah Kaplan in
her interview with ATG, v.5#5, pp. 32-
35.—Yr. Ed.

Jeremiah Kaplan - An Apprecia-
tion, With Some Recollections.

The August 10 issue of the New York
Times carried the usual "In Memoriam"
ad signed by Macmillan. This master-
piece of understatement read: "Jeremiah
Kaplan — 1926 — 1993. He loved books." On
the eleventh, the Times ran an obitu-
ary, much too brief, for a person of
Jeremiah Kaplan's stature. PW and
ABA's NEWSWIRE also ran obits.

My problem, as a Second City habi-
tant and bookseller for many years, is
that none of these articles even men-
tioned Chicago. They all cited New York
as Jerry's birthplace and workplace. They
all neglected to say that Free Press was
founded and developed in Chicago and
its environs. Jeremiah would have been
the first to acknowledge that University
of Chicago professors were among early
authors whose books contributed greatly
to Free Press' financial stability. They
were Bruno Bettelheim, whose Love Is
Not Enough gained wide recognition and
W. Allen Wallis, whose Statistics, A New
Approach became a widely adopted col-
lege textbook and remained in print,
unrevised, for many years.

When I was at Kroch's and Brentano's, the Free Press office was
located just a few blocks away in an East
Lake Street loft. It consisted of one large
room — a clutter of desks, tables, files,
typewriters and people from the lowly
neophyte to Jerry's office which ordi-
narily occupied an unsequestered cor-
ner. On occasion, when he was enter-
taining a prospective author, Jerry did
pull up a couple of screens to give some
atmosphere of executive exclusiveness
to the place. Jerry occasionally visited
our bookstore where he let it be known
that he was mainly interested in search-

ing for good authors. He believed at that
time that good authors' books would sell
themselves.

Some change in this philosophy was
evident in our first telephone conver-
sation after he was ensonced at 60 Fifth
Avenue, then Macmillan's headquarters.
I remember his saying: "Guess what,
I'm in charge of selling Collier's Ency-
clopedia and Harvard Classics!" It wasn't
long before Jerry was sitting at the
horseshoe president's desk at 60 Fifth.
The New York press is to be commended
for detailing his accomplishments from
then forward. I remember Jeremiah in
his soft, deep voice, answering many
inquiries for advice, information, and
even to allay complaints. He always had
time for a friend.

One question I never asked him was, "With your Chaliapin's basso profundo,
how come you never became a cantor or
an opera singer?" His interest in the Arts
proved that more of him than his voice
was musical.

In these days of mergers and acquisi-
tions by non-print concerns, we can re-
mind ourselves that we were privileged
to have known and worked with a true
ten entrepreneur who was also a great
bookman. Jeremiah Kaplan. May he rest
in peace.