2007

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Recommended Citation
Cox, John (2007) 'As I See It! -- Even Fewer And Larger,' Against the Grain: Vol. 19: Iss. 1, Article 35.
DOI: http://dx.doi.org/10.7771/2380-176X.5256

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As I See It! — Even Fewer And Larger

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The pace of consolidation in the scholarly publishing space is moving even faster. Most of us have paid attention only to publishers and vendors. There has been a lot to watch in the last ten years! And now aggregators and indexing services have hit the radar screen.

During 2006, two major players suddenly appeared in the news. ProQuest ran into regulatory and financial trouble, and then changed hands. And Thomson announced that it was going to exit the education market, and put Thomson Learning up for sale; Gale is part of Thomson Learning. Are these events connected? Do they say anything about the changing ecology of aggregators?

On the face of it, the two are not connected. Thomson Learning is the second largest textbook publisher — the biggest is Pearson. Its operating performance in recent years has not matched other divisions of Thomson. Like most textbook publishers, Thomson Learning has found the migration of its business from print to electronic to be a formidable challenge. It has, in its parent company’s eyes, made slow progress in doing so. The Gale operation itself, thought of as an aggregator and electronic re-publisher, still has considerable print activity in its reference publishing. Its aggregated databases are caught up in this larger corporate decision.

There are a number of unanswered questions. Will Thomson succeed in selling Thomson Learning as a whole, or will it have to break it up to find buyers? If a buyer is found for the whole, who will it be? If one of the other major textbook publishers makes an offer, there may be difficult anti-trust and competition issues to contend with. Will a private equity group move in to buy it with the existing management? At least that would not raise any anti-trust or competition issues. It is too early to tell.

ProQuest is a different story. In December ProQuest Information and Learning was acquired by the Cambridge Information Group (CIG), which includes the CSA, RefWorks, Bowker and Ulrich brands. But the story started some time ago. ProQuest is a public company. It has spent most of 2006 grappling with accounting irregularities, most of which appeared to reside in its Information and Learning unit. It has had to restate its accounts since 2001, and file restated accounts with the SEC.

It had already sold its Business Solutions unit which provided services to car dealers. When the sale of Information and Learning to CIG took place, between Thanksgiving and Christmas, we had our minds on festive things.

CIG has announced that it will merge ProQuest Information and Learning with CSA.

The CSA business comprises over 100 databases — mostly bibliographic — in the humanities, social sciences and science. ProQuest has a lot of full text products in news, business, economics, social sciences and the humanities. Its products encompass Chadwyck-Healey, SIRS, Serial Solutions, and full text products containing newspapers, continued on page 78
issues in vendor/library relations: leaving

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I knew it was time to leave when I read an email from a librarian I didn’t know personally that said something like, “Bob Nardini, Mr. Yankee Book.” That was ten or twelve years ago, I would guess. So I stayed for ten or twelve more before finally taking my leave from the company a few weeks ago, after 21 years. I am now all of three days into a new job.

Academic librarians change positions all the time, of course, in a job market that’s publicly reported in places like the Chronicle of Higher Education, College & Research Libraries, Library Journal, and so on. Usually there are search committees, campus visits, onsite presentations, lunches and dinners, tenure considerations, and all sorts of other formal structures that make job-watching among librarians a spectator sport. “Do you know who’s applied for the AUL job at such-and-such university?” is a question all of us hear regularly.

For vendors, though, the job market is more of an underground economy, one far less visible to all the potential spectators. And spectators where there would be. When a librarian leaves a library, the assumption is always that it’s a good career move, not some form of repudiation of “Library A” in favor of “Library B,” not a story with the subplots and intrigues of a John le Carré novel. When a vendor moves, though, often the assumption is that there has to be more to the story. Partly it’s the surprise element that causes this, since the formalities to withdraw their journals and other content to aggregators are not even inflation-proofed, many publishers are worried that the evidence may change in the future of the index.

The imperative behind the ProQuest sale is clear, and has more to do with accounting management than anything else. CIG’s motivation is more interesting, and reveals a concern about the future of the index.

Abstracting and indexing databases are under threat from Google and the other major search engines. Most searches, even by researchers, start with a general search engine such as Google. Most A&I publishers have sat on their hands and watched this happen. As Google, Microsoft and other continue to interest themselves in the scholarly and scientific communities, A&I publishers that want to survive have to distinguish themselves from these giants. What CIG has done is to put itself in a position where new products can combine indexes and full text. It is a logical extension of the announcement CSA and ProQuest made in June 2006 that collections of full text ProQuest material would be made available as an upgrade to CSA’s bibliographic databases in sociology and political science. The first product is to be launched this Spring. CSA wants to continue to be a “must have” destination for library purchasing.

Does this put aggregators in a stronger position? Or will publishers take fright and start to withdraw their journals and other content from aggregators? Will libraries — and their users — find aggregated databases an acceptable substitute for the primary journal, or is the researcher’s need for immediate access to the primary journal literature still an over-riding imperative? All the evidence to date is that journals and aggregated databases serve different constituencies in the university library: faculty and researchers, and undergraduates, respectively.

U.S. academic libraries constitute 40% of the world academic library market. The majority of scholarly and scientific journals originate outside the USA. Given the U.S. dollar’s weakness, and library budgets that are not even inflation-proofed, many publishers are worried that the evidence may change in the next few years.

So why are private investors, from family businesses like CIG and EBSCO, to private equity houses like Cinven and Candover, so interested in mergers and acquisitions in scholarly and scientific publishing?

First, the market is mature, and is not a significant growth sector. That means expanding publishers have to capture market share, largely by acquisition. A lot of acquisition activity means that there is a market in which competitive bids lead to high prices paid for good publishing properties. This works at

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many different levels, whether the sale of an individual journal or an entire publishing company. An investor is likely to get a good price on exit.

Secondly, scholarly publishing is stable, and is not subject to the ups and downs of the economic cycle. That means that publishing scholarly books and journals is relatively easy to predict and plan for.

Thirdly, scholarly publishing generates cash. Journal subscriptions are paid before many of the costs of publishing are incurred. That cash flow means that publishers’ cash requirements are much lower than in most other industries.

Any cash positive, stable, predictable business in a sector where there is a real market for companies that are for sale is immediately attractive to private investors. So watch for more of the same.