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Group Therapy/Case of A Relationship Gone Awry

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Group Therapy

*You know how we complain about each other from time to time? Well, here's a chance to get things off your chest. In this column, we will try to talk about some of the things that bug us about the publisher/vendor/library relationship in a non-confrontational way. The first installment is by **John Secor** and is an adaptation of a case study that he gave at the 1991 Charleston Conference. With a difference — here are published two responses to the case study — one by **Gary Shirk** and the other by **Carol Chamberlain**. Read on. And, if you have a **Group Therapy** issue that you would like to see discussed here, please send it to your Editor. Also, the future Column Editor is **Rosann Bazirjian**.*

THE CASE OF A RELATIONSHIP GONE AWRY

by **John R. Secor**, Chairman/CEO
Yankee Book Peddler, Inc.

This case is derived from many conversations with librarians and booksellers, over many years. As written, it is hypothetical, and the names of the institutions and the people are fictitious.

Anthony (Tony) Bendecchi, vice president of sales & marketing for Atlantic/Pacific Information, Inc. (API), a Chicago-based bookseller and electronic information broker to academic libraries, stared at the pile of paper on his desk. He was tired and it was only Monday. He scowled at the computer printouts and headed for the coffee machine.

"Can I buy you a cup?" Tony turned to see Laura Ryan, one of his territory managers, standing behind him.

"Thanks, but make it decaf. If my mood gets any worse, I might start growling." He smiled as Ryan winced. "Only kidding. I'm just tired."

They walked to a small table and gingerly set their cups down. On each table was a small card that read: *Please help keep your cafeteria clean and neat. Use a lid on your coffee.* Laura and Tony smiled sheepishly as they looked at their lidless cups. To Bendecchi's mind, Laura Ryan was his best salesperson. All of his sales managers possessed innate talent but Ryan had a creative spark the others did not.

"You do look tired," Ryan responded as Bendecchi yawned.

"Getting old, I guess. I spent the weekend in Maine trying to cheer up

my sister. Her school dropped music from the curriculum and she was layed off."

"That's awful. The world is becoming a smaller place, and if we don't provide a well rounded education, a quality education to our kids, how will we compete in the global arena?"

"Your guess is as good as mine." Bendecchi said. "I'm getting tired of hearing the Administration say that the economy is rebounding nicely, thank you, and that our economic health is all right. I think I'll write the President," he said crossly. "The Northeast is not doing all right. The Mid-Atlantic is not doing all right. The South is wobbly. We're standing but shaky in the Midwest and the West is..."

"Shambling along," Ryan offered.

"I like that," Bendecchi said thoughtfully, "shambling along."

"Listen Tony," Ryan suddenly said. "Why don't we get another cup of coffee and go to my office. I have that report you asked for and I'd like to talk about two customers. You buy this time," she laughed as she pushed away from the table.

Bendecchi walked slowly to Ryan's small office, lidded cups in hand. Much as he tried to shift gears and focus on work, he kept thinking about his sister. "The Education President! Who's he trying to kid?" he muttered as he entered the office. He looked at Ryan and could see that her mood had changed. She was all business.

"I've completed a review of the proposals that were accepted in my territory and I'm concerned about two. One is a yellow flag and the second a definite red."

Bendecchi held up his hand. Ryan had finished the year as his top salesperson. "How many proposals did you close in '91?"

"Ten," Ryan replied. "Three that resulted in increased approval expenditures; two new approval customers; four firm order vendor consolidation proposals; and one new serials library."

Bendecchi remembered his policy: Each opportunity had to be a minimum of \$50,000 in order to hit the staff blackboard. Sure the territory sales managers penned many important follow-up letters, and many focused on increasing API's sales position in the library market, but the \$50,000+ formal proposals were the ones the co-workers followed, and when one was accepted by a library the major win bell was rung. He smiled. How the staff loved to hear that bell. To them it meant that all their quality efforts were being recognized by customers and by potential customers. "Credibility and reputation," he thought out loud.

"What did you say?" Ryan asked.

"Nothing all that important. Go on."

"The yellow light is Bedford College. I expected first quarter sales of \$65,000. The sales report shows just over \$30,000."

"Was it a sole vendor proposal?"

"No," Ryan answered. "They have a strong book budget and we submitted a vendor consolidation proposal. Bedford was using four vendors and wanted to cut back to two. Margo Rufin, she's head of acquisitions at Bedford, gave us 70 percent of the book budget. RIP got the rest. She called me last week and said that the budget was late and that orders were slow in getting out. She also said she was down two positions."

"What do you want to do?"

"I want to let Bedford slide for another quarter. I'll stay on top of my reports. I'll see the breakup in the logjam as soon as it happens. And if it doesn't..."

"Do you think the book budget has been cut?" He looked closely at Ryan. His job was to develop talent and he was proud of the mentoring he had provided Ryan over the past two years. She was a fast tracker and he was confident that she would continue to progress toward a management position at API.

"I think their budget is solid. Margo would have said something if it had been cut. I really tried to lock into her value-added mind-set when I reviewed the proposal. I'm confident she understands the mutual commitment we agreed to."

"Sounds like you're on top of Bedford. Who's the red light?"

Ryan opened the file in front of her. "Century State. George Curtis, you know him - he's the acquisitions head. He gave us science and the commercial scholarly houses. Intergalactic Book got the university presses. I based Century's pricing model on estimated sales of \$300,000. The science component was projected to be 30 percent, or close to \$100,000. At the end of the first quarter, Century is only on track to do \$200,000."

Benedecchi forced a smile. He hoped Ryan could not read his face. API's first quarter sales report was on his desk. He had read it on the plane to Portland and, again, enroute back to Chicago. The figures were not encouraging. API had budgeted for a 14 percent increase in sales in '92. The report showed they were on

track to do 8-9 percent. He would not be as worried if the sales funnel was filled with opportunities moving along the closure path. Unfortunately this was not the case. He replayed the last budget meeting over in his mind. He had been so confident. He wished the other sales managers had only a few libraries in trouble. He and his team could cope with that level of challenge. But it was not a few. It was as if the entire customer base was reeling. Well, what could one expect after nearly a decade of escalating serials prices that had strained book budgets to the breaking point. This along with years of poor positioning strategies by libraries and after years of neglect by their universities, had caused the buying power of most libraries to erode. There certainly were enough straws in the wind to break any camel's back: membership in consortia, cooperative acquisitions, interlibrary loan, full-text data transmission, and preservation. Resource sharing had proved to be little more than a buzz word in the '80s. ACCESS was proving to be an action word of the '90s. Thank heaven API had the vision to plan around various information formats.

"Are you still with me?" Ryan asked.

"Sorry Laura. I was just thinking about the pressure book budgets are under. Our approval sales did well over the first quarter, automatic books that is. Notification slip sales are down, a statement of the times I guess. Firm order sales are way down. Of course, some of our firm order customers have recently moved most of their book budget into approval." He laughed. "If only firm order sales were at least 'shambling along' I'd feel better. Perhaps Century State's budget was also late. It's pretty commonplace these days."

Ryan closed the folder. "I've been phoning and leaving messages for two weeks. George Curtis hasn't returned any of my calls. It's not just an expenditure issue. The estimated gross profit per book is way off. \$5.85 rather than the \$6.90 we projected. As far as I can tell we are not receiving any science orders."

Benedecchi winced. "Partnering is not an easy concept for everyone to understand. Do you feel that George understood what you were talking about?"

"Yes. Well I thought he did. We talked

about cooperation and collaboration, and we reached agreement when I was in his office. I told him about the partnering overtures we had made to publishers: use of standards for barcoding; acceptance of electronic ordering; quality issues; exchange of data such as university research interests and consequent publishing opportunities. I also spent time talking about our pricing philosophy: discounts based on per annum expenditure and mix. I reviewed several models with him. He was also excited about working closely with our information systems people to plan for technical innovation. Yet..."

"What does 'yet' mean?"

"I'm not sure what I mean. Perhaps it's nothing. George said all the right quality words. He wants more value but I got the feeling he really doesn't believe he should pay for it. He kept asking for more discount all the while he talked about partnering."

Benedecchi sat down and ran his hand through his hair. "FAX him. This morning. Tell him that you have to talk to him today, that our relationship has gone awry."

Later that day, at lunch, Ryan found Benedecchi at the same cafeteria table they had sat at earlier. "Tuna salad on rye. Right?"

Benedecchi nodded with a smile. "Sit. Did George call you?"

"He sure did. You want the plain truth? RIP approached George a week or so after he agreed to our proposal. They presented him with a very short list of STM publishers, including Elsevier Science, John Wiley & Sons, Springer-Verlag, Pergamon, etc. Apparently they made an offer he couldn't refuse; two percent more than our model for monographs published by houses on their list. There's our \$100,000 shortfall."

"Did you reiterate to George that we based our discount on volume and on mix?"

"I told him that he had cut the heart out of our agreement and that we had offered the flat discount based on the understanding that the science publishers would come to us."

"What was his response?"

"He said he got pressure from the director to give RIP some business. I told him to give RIP the societies. He laughed and said 'to be honest he'd love to' but that RIP indicated they were only interested in the STM list. I told him that we could not live with the gross profit we were experiencing and that we might have to renegotiate the discount." She looked at Bendecchi for confirmation.

"You're the territory sales manager, Laura, and I don't want to tell you what to do. But you better do something. The projected \$6.90 gross profit per book is what we need to support the discount we gave Century. At best we're breaking even at \$5.85. On the other side-of-the-coin, while we're not getting the \$300,000, I'd hate to lose the \$200,000 Century seems committed to giving us. We've built a big engine here that needs to be fueled. We need orders, particularly firm orders, to keep the computer humming and to keep our people busy."

"Are you saying we want to keep the business even if it is not profitable?"

"No. That's not what I am saying. Yet, the executive committee is meeting later this week to come up with a contingency plan to cut expenses by \$65,000. While the probability of attaining our sales goal is open to debate, the fact is that the goal is not a lock."

"So, you're saying that every sales dollar is important."

"That's right. But company policy on pricing is clear. We don't let one library subsidize another. Each is to stand alone. Our approach to partnering involves letting the customer know what we need to earn on each book, and if the mix produces a higher GPU, we commit to increasing the discount."

"I'm confused, Tony. Do I demand that Century give us the science publishers? Do I cut the discount if George refuses?"

Bendecchi crumbled up his brown paper bag and stood up. "If I were you I'd ask for a face-to-face meeting with George and I'd also request that the director sit in on the meeting. Keep your options open. Do we have enough wiggle room to increase our present discount on the original proposal if we get back the science publishers?"

Almost before he had finished the sentence Laura answered, "No, we don't."

"OK. Have you figured out how much we will have to lower the present discount if we don't get the promised science orders?"

"About 3 percent," Laura answered.

"Well, convince George and the director that 3 percent on \$200,000 is a better deal than RIP's 2 additional points on the \$100,000 science component, and that in fact our original proposal is the best of all worlds."

Laura smiled at her co-workers while walking back to her office. But once at her desk, her smile faded. What was it Tony had said? "Keep your options open." She could counter with a more limited discount than the flat pricing model that provided a discount on all books, even those that carried no publisher discount to API. Under a more limited model, those societal publications would be service fee'd, but she might be able to hold the present discount on a wide range of major publishers. Perhaps she could offer a dual pricing schedule: a discount close to the present one for the commercial scholarly houses and a lower one for the general trade publishers. Then again, George had initially indicated that he only wanted to work with two vendors. Now there were three: API, Intergalactic, and RIP. Maybe she could push Intergalactic out and take the University Presses. That would not help the GPU, UP list prices are moderate and the discount to vendors is low, but it would increase the per annum sales. Tony had been adamant that sales volume was important.

She knew from experience that multiple proposals only confused the decision making process. She would have to think carefully and decide which option held the best chance for success. Which option was the best for API... and for Century State. Of course if the counterproposal failed, she would have to be prepared to walk away and lose the \$200,000. Was she ready to lose the relationship? Laura closed her office door. She needed time to think. ☛

COMMENTARY RE: "The Case of a Relationship Gone Awry"

by Gary Shirk

Gary Shirk is President/COO of Yankee Book Peddler, formerly Head of Book and Serials Acquisitions at the University of Minnesota Libraries, Mpls, MN.

Laura Ryan faces a classic business dilemma: What can you do when customers act improperly if your business philosophy says that customers are never wrong?

Atlantic/Pacific Information, Inc. is guided by ethically sound pricing policies: negotiate price based upon the value of partnering (long-term cooperation and collaboration); give the highest

discount consistent with mix and volume; insist that margins for each customer are sufficient and that no library be subsidized by giving unfairly low discounts to others. API believes these principles are good business and seems unwilling to engage in a bidding war to regain Century State's full commitment.

The country's general economic context and its specific impact on book budgets now test those policies. Laura must achieve her sales goals guided by principles that seem to restrict her actions, rather than

offer opportunities. She suddenly finds herself forced to play a game whose rules have changed. She now negotiates not with a partner, but an adversary. From her point of view, the customer has acted improperly, unilaterally changing the rules so that she must lose. But the customer is never wrong!

Library managers do not have the benefit of a universal code of business ethics. The American Library Association's Code of Professional Ethics deals with proper conduct in collection development, intellectual freedom, professional conduct

among peers, and separating personal and organizational interests. The code ignores proper conduct in business relationships.

Each library—as each book vendor—determines its own business principles. George Curtis and his library director at Century State seem to believe that their fiduciary responsibility to the library requires them to accept the best price whenever it is offered. They may see the decision to split the allocation of expenditures between API and RIP as hard-fisted bargaining in an arena where negotiation never ends. This is fair if you accept the time-worn concept of business competition where only the fittest survive and if you assume that the fittest will, in the long run, provide the best service. In this context, George's actions are not improper, even if they are distasteful to API.

Tony Bendecchi ranks Laura as his best salesperson, but in this situation she

made some critical mistakes. She should have worked harder to understand Century State's decision making process and the principles which guide it. She should have included the Director and everyone who influences decisions in her discussion of partnering. Before she could be certain that agreement had been reached, she needed to find a common ground of business principles. The value of cooperation and collaboration had simply not been sold. And, if not sold, the importance of partnering could not have been incorporated into the library's value structure.

So, Laura does not face bad ethics, but different ethics. Understanding this is critical to Laura's next steps.

Laura must regain the ground she lost by failing to do the job right the first time. She should act on Tony's suggestion and request a face-to-face meeting with George and his director. She must acknowledge the validity of the library's principles, reiterate the criteria underlying API's

proposal, and urge the library to join with her to search for common ground from which a new solution can be reached.

This solution must now accommodate RIP's position as well. It had, after all, negotiated with the library in good faith and deserves to be treated fairly. If RIP were aware of the prior agreement with Atlantic/Pacific, then it must accept the notion that competitive negotiation never ceases. So it could not reasonably object to renegotiation.

In the short term Laura will probably have to accept annual sales for Century State at the \$200,000 level. But, if common ground can be found, she should be able to insist on a mix of orders that gives her the margins she must preserve to satisfy API's business ethics. Losing \$100,000 in sales is tough, but API will survive. And, if Laura is as good as Tony thinks she is, she'll do a better job of analyzing a library's business ethics in the future. ☞

COMMENTARY RE: "The Case of a Relationship Gone Awry"

by **Carol Chamberlain**

(Chief, Acquisitions Department, Penn State University)

*P*rofessional ethics play a key role in Laura's dilemma. Margo's behavior was appropriate, George's behavior was not. Margo called Laura to tell her that the budget was late and that orders were slow because there were fewer staff. Despite a suspicion from her boss, that was all Laura needed to know in order to make an initial decision to wait and see rather than take immediate action. Her business relationship with Margo is built on trust. George reneged on an agreement with API. He was not forthcoming with API and did not inform Laura that he was sending the science orders to RIP, until he received the desperate fax message.

What was George thinking in this situation? That the "higher" obligation was to the library to get books as cheaply as he could even if it means abrogating the agreement? That it was most important to appease the library director by "giving some business" to RIP rather than affirming the agreement already in effect? That it was "ok" not to inform API either that he was under pressure to change the vendor

arrangements or that he had already done so? Was he forced by the director to violate the agreement? It is not clear what George's continued avoidance behavior means — is he a scoundrel or a victim, or both? Whether ashamed or shameless, George showed no respect for the agreement and should have leveled with API as soon as he knew that the agreement was in jeopardy, giving the partners an opportunity to discuss other options openly. His behavior was unethical.

Librarians and vendors have a fragile partnership. Each has its own interests — for the vendor it is profit, and for the acquisitions librarian it is good service to the library user. The conditions which have resulted in static library budgets and higher prices for journals and books have led to a renewed emphasis on accountability and value-added services. As library purchasing power has eroded, acquisitions professionals must focus their efforts on getting the most for the money for their institutions. That is now a bigger part of the library/vendor partnership.

Office politics aside, as the "acquisitions head" George has been delegated the authority to make purchase decisions on behalf of Century State. He should be allowed to do so by his superior.

As much as she would like to, Laura shouldn't burn bridges. As she said to Tony Bendecchi, "the world is becoming a smaller place" — academic libraries already are a small world and George could one day be a director. The relationship may be salvageable and Laura may succeed at Century State, if she keeps all the options open, encouraging George to offer some, and meets with George and the director, but only if George agrees to such a meeting. (The risk of alienating George by involving his superior without his support isn't worth it. The situation may have more to do with George than with the director.) Laura can get the relationship back on course. Communication, commitment and mutual respect are essential elements in a successful partnership. Unfortunately, George Curtis hasn't learned that yet. ☞