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Judy Webster
University of Tennessee

Barry Fast
Academic Book Center

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Issues in Vendor/Library Relations

Column Editors: **Judy Webster** (University of Tennessee) and
Barry Fast (Academic Book Center)

All I can tell you is that Judy Webster is wonderful. She is the coordinator of the 1993 (and other, I hope) Charleston Conference and she has been always patient and laughing. I love her sense of humor. Through it all, she has worked and worked and I want to thank her. On top of it all, she wrote this column. What can I say? — Yr. Ed.

To Prepay or not to Prepay: That was Howard's Question

by **Judy Webster**

In 1991, Howard Lesser wrote an editorial in this column on the pros and cons of lump sum prepayments to vendors. (*ATG*, September 1991) As I recall, there was not much subsequent discussion of the points made in the article in these pages. I would like to revisit the questions, hoping that the current environment will bring increased interest in the topic.

Briefly, Howard's arguments in favor of prepayment or establishing deposit accounts by a library were these — quick expenditure of funds near the end of a fiscal year, simplicity of handling special funds, possibility of interest income accruing to the library, extra discounts for the library. These arrangements are also favorable to vendors because of the resulting guaranteed business and the availability of working capital.

On the negative side, libraries risk the loss of funds if the company defaults, a substantial consideration for any librarian. In addition, we also must deal with some online and off-line reconciliation problems in our automated systems. Prepayments must have been much easier to handle in the manual environment.

I agree with Howard that librarians should give due consideration to the question of whether to prepay and when, and take appropriate precautions. But I wonder if many of us are doing exactly what Howard suggested — requesting a copy of the vendor's balance sheet, pulling Dun & Bradstreet reports, obtaining a 10K report from the SEC, calling publishers to inquire if a vendor is paying their bills on time. (Has anyone tried this? Will publishers actually reveal this information? Who do you contact at the publishers'?) This last option requires some boldness on the librarian's part. (If anyone has experience doing this, I would be interested in receiving your comments. I would summarize responses anonymously for a later column.)

Howard also advocated the establishment of a bank escrow account. I doubt that many state institutions would permit such a transaction because a library would have to declare up front what was being undertaken. Technically, at my institution, aside from subscriptions, we can only prepay by submitting proof that the publisher requires it. The same restrictions apply to deposit accounts.

How many of these strategies are practical? Significant current financial data on privately held companies can only be gotten directly from the company itself, but there's certainly no reason why we shouldn't ask for it. These strategies cannot be undertaken and evaluated quickly. Often, we have only a short period of time in which to make our decisions and to take action.

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Lately, I have been wondering whether performance bonds have a role to play in the vendor/library relationship. In other business environments, they are used to guarantee the delivery of goods or services and are considered a type of insurance. Perhaps it would be sufficient for the vendor to prove that they could obtain a performance bond from a surety company.

Ultimately, there's no substitute for a good commonsense approach. 1) Never prepay a vendor because the vendor suggested it; 2) Never prepay a vendor who is not well-known to you or your institution; 3) Always be sensitive to changes in vendor service, e.g., unresponsiveness to queries, changes in invoicing patterns, order fulfillment, etc.; 4) Base financial concerns on fact; 5) Reject any rumors communicated by other vendors' representatives out of hand. If you are overly concerned about what you have heard, call the vendor directly and ask pertinent questions.

It is ironic that our parent institutions force us into situations of otherwise unnecessary prepayments by dumping unexpended resources on us at the end of the fiscal year or by threatening to impound funds during the course of the budget year. Librarians' motives in this endeavor are for the ultimate good of the institution. We prefer spending our materials' budgets in a planned and rational way, and the pressure on these budgets is so great that it is imperative we look for the most cost-effective purchasing practices available.

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