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Issues in Vendor-Library Relations

The Done Deal

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

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 than 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 commitments being maintained. We've never had another impoundment, but I have learned to be very cautious about entering 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 institution is paying more for its library materials 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 financial crisis came, I would not have complete control over where the reductions were taken?

This year, we have undergone a thorough 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 certain volume of business. Once again, I'm faced with a dilemma of selectors and teaching faculty wanting to cancel subscriptions for reasons of cost increases while struggling to maintain the volume of business previously agreed upon. It means that cancel and substitute maneuvers 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 effect in 1995. My subscription agents will be within their rights to review my volume 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 subscription agents have viewed these unforeseen 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 Appreciation, With Some Recollections.

The August 10 issue of the *New York Times* carried the usual "In Memoriam" ad signed by Macmillan. This masterpiece of understatement read: "Jeremiah Kaplan — 1926 — 1993. He loved books." On the eleventh, the *Times* ran an obituary, 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 habitant and bookseller for many years, is that none of these articles even mentioned 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 college 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 ordinarily occupied an unsequestered corner. On occasion, when he was entertaining 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 searching 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 conversation after he was ensconced at 60 Fifth Avenue, then Macmillan's headquarters. I remember his saying: "Guess what, I'm in charge of selling *Collier's Encyclopedia* 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 thence forward. I remember Jeremiah in his soft, deep voice, answering many inquiries for advice, for 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 acquisitions by non-print concerns, we can remind ourselves that we were privileged to have known and worked with a true entrepreneur who was also a great bookman. Jeremiah Kaplan. May he rest in peace. ☹