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Issues in Vendor-Library Relations

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Issues in Vendor-Library Relations

Disclosing Discounts

Column Editors: **Judy Webster** (U. of Tennessee) <jdwebster@utk.edu>
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1. From Judy:

Barry and I have read the recent contributions on SERIALST concerning the ethics of librarians disclosing negotiated vendor discounts to other vendors and librarians. The topic interested us initially because it concerns the purchasing of both monographs and serials and because neither of us were certain of our feelings when we began the discussion. We suspected that we might have some interesting disagreements along the way, and here's the result. I have wrestled with this issue many times. I have been asked by both vendors and librarians to disclose certain financial facts about various purchasing arrangements. There have been times when I've felt comfortable doing so and times when I haven't. The State of Tennessee has a "sunshine law", so nothing's secret, right?

I have concluded that I must be weighing each request against my values and doing some kind of assessment of the purpose for which the information is being requested. A request from a librarian who is simply doing some informal benchmarking might get the information from me in the context of the characteristics of the size and type of the account in question. A competing vendor asking the same question would probably not get a complete answer from me, but might be given a generic answer of some sort.

What is your perspective on this question? How do you feel about your librarian customers telling other vendors about the discount you are offering?

1. From Barry:

Like you, Judy, I wrestle with this issue in my own mind. On the one hand I would always want to know what my competitors' discounts are. But I would not like them to know ours. That's the short and simple answer. The problem, though, is that none of this is simple. Discount is just one component of service, perhaps the most easily measured, but not necessarily a true reflection of cost. When you include such things as error rates, speed of delivery, overall fulfillment, the price you are paying has to be measured against the values. For instance, if delivery time is a very important element of service there is a value placed on that, one that may be reflected in your discount. You may be willing to work with a slightly more expensive vendor because you are getting significantly faster fulfillment.

In our company we recently went through an RFP process for air freight services. We buy a lot of air freight because we ship to thirty different countries. We selected different air freight vendors in different freight lanes,

and rarely did we pick the lowest priced vendor. All the elements of delivering books to libraries in Korea or South Africa or Australia could not be measured by price alone. We looked at all these elements and made different decisions in different markets. We also felt there was value in having more than one air freight supplier, so we can continue to measure performance among suppliers and promote a competitive environment. And we never told one company what another was quoting; we just asked for their best price on a clearly stated array of air freight services.

So although life would be easier if I knew everything about my competitors' pricing, it would not necessarily be good for us or our customers. From your standpoint, don't you think you limit your negotiation by divulging your discounts? How do you feel when someone presses you for the information, or tells you that the law requires you to state the discounts you are getting?

2. From Judy:

Barry, I should have explained early on that when I am in the active process of negotiation, I won't discuss actual discount terms with anyone until after my decision has been made. That's just one of the rules I've made for myself. I always tell each vendor who asks, that I need their best offer, now. I may tell them that they are in the ballpark of other bids, that I have received lower bids, or that their bid is very high, etc. I agree that if I were to divulge the specifics during a negotiation that I would have compromised my position because I would have told the competing vendor what their bid must be.

I believe that it is my responsibility to obtain the best price and the best service for my institution. I agree that discount may not always be the deciding factor, but vendor quotes that are several percentage points apart should be studied carefully to make certain

that the services offered by the higher priced vendor are really worth it. In other words, over a long period of time is a slightly faster delivery rate really worth a lower discount rate of 2 points?

I realize that for every success that I have in negotiating, there may be a library out there that doesn't fare so well, but I cannot worry about that. If all acquisitions librarians have the same responsibility for best price/best service for their institutions, we must negotiate whether we like it or not.

Your second question raises more issues of subjectivity. Of course, I am going to remember who pressured me for information beyond what I indicated was reasonable. Of course, I am going to form an opinion of that company represented by the individual who was too assertive for my tastes. Vendors should understand the risks they are taking if they behave in that way. Quite honestly, this has not been a problem for me. I am usually able to clearly state where I draw the line, and very few vendor representatives have behaved in an unprofessional manner in my experience.

How do you feel about librarians who demand unreasonably high discounts and ser-

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vices for the size of the business involved? Don't vendors have to be very cautious in this area?

2. From Barry:

Before I answer your questions I want to refer back to your observation that, on the whole, vendor representatives are courteous and sensitive to customer needs. I agree; there are a lot of very good people in this business. One of the reasons is that we are able to afford pay scales that attract the best people. Everyone engaged in sales or account management has lots of choices for employment these days. Sales has always been a good road to personal success. The best sales people are professional, meaning they spend a lot of time in training, professional reading, a continuous effort to learn more about their market and customers.

You alluded to the notion that when one library wins a negotiation, other libraries may lose, may in fact be subsidizing the more successful negotiators. From our side of the profession, if too many libraries successfully negotiate too many high discounts, does this mean we can't afford the best people, both inside and outside our companies? Is this something that should concern you?

To answer my own question, both to the subsidizing issue you raise and to this one, I believe that enlightened self interest is almost always the best course. I agree that your responsibility is to your institution, and that includes ignoring the hypothetical effect on other libraries and on the vendor community. It is their job to look out for the interests of their libraries, and our job to negotiate successfully for our companies. And that leads me to your questions.

When libraries demand what we consider unreasonably high discounts, we are faced with a problem. But that's what makes business interesting. There are many problems, and this is just one of them. We have to balance the cost of losing a customer against keeping a customer at or near a loss. Or we have to factor the incremental addition of new revenue and its effect on profits.

Does new revenue, added to an existing base, have a lower cost factor? Sometimes, but many times this is an illusion, because eventually you have to pay for the revenue

with increased staff or space or equipment. We know, for instance, down to the penny what it costs us to process an order from receipt to shipment. But we can't always predict what that cost will be in a year or two, and how all the other cost factors will change over time — including publisher discounts to us. What seems like reasonable discounts and service requirements now may not be next year.

I think that good managers are chastened entrepreneurs. You have to be confident, in this context, that your decision to withdraw from an unreasonable negotiation is the correct one, or you have to make a judgment call that adding business at very low margins will pay off. Over time you learn where that line is, because all the best cost accounting is, only historical. Good managers are always looking forward. I never think that unreasonable customers are intending to act that way. In the end, the marketplace teaches us all what the boundaries are. It's too bad that all of us are not better trained in negotiating skills. Do you ever feel as though you are at a disadvantage because your MLA library school training is competing against my MBA business school training? Is the playing field level for us, buyer and seller, or do we need to make some adjustments?

3. From Judy:

Hmmm...competing degrees, eh? I've really never thought of it that way. You mean something like the Dueling Masters? Seriously though, not all vendor representatives have MBA's and many have library degrees. There are probably not as many acquisitions librarians who have MBA's but many have taken extra courses in management skills and others have taken advantage of continuing education opportunities like the **Charleston Conference**, for example. I don't believe that your MBA degree alone prepared you to sell to libraries any more than my MLS prepared me to purchase library materials. Both of us have had to learn the other's point of view over time to obtain the perspectives we have today. We've each had to learn the unique characteristics of the information industry for one, and because the value and amount of information continues to increase, the stakes are a lot higher than they used to be. The stress is much greater on each buyer and seller because the cost of just one error on anyone's part may be very high.

If the playing field is not level, both of us

need to do something about it. Should we talk more about negotiating next time? There are a few basic points about libraries that I can think of that would assist all vendors in their negotiating strategies. How about you? Aren't there areas of bookselling that you wish I understood better?

3. From Barry:

I hate to admit it, but my MBA courses were taken so long ago I only remember that in my accounting class, debit was the column closest to the windows and credit was the column closest to the door. But I wasn't being completely facetious when I wondered about the level playing field of negotiations. The best negotiations, when both sides feel that the process has been fair and reasonable, has to start with some sense of equality. And it has to end with both sides feeling that they got enough of what they originally wanted. After the negotiations are over, we have to work together, and if there is a bad taste left, for whatever reason, that just makes the continuing relationship more difficult.

Let's talk some more about this next time, and in the meantime, let's do some reading and thinking about it. I do feel the playing field is level, but there are plenty of bumps. We do need to learn more about where each side is coming from, what their real needs and objectives are. I spend a lot of my time visiting libraries just to learn what's going on, what's important to them, what new problems are offering us opportunities to help solve. What strikes me, every time I do this for a few months, is that so much is changing. Not the overall mission of libraries, of course, but the details of accomplishing the mission: New technologies, new budget problems or the abatement of them for a time, new forms of information and new ways of using them, the introduction of new management strategies to deal with all this change: Learning more about each other is essential because we are all moving targets. Yes, it's stressful, but also fascinating. When my friends remark that I must be in a nice civilized business dealing with libraries, I feel like saying "Yeah, riiiiight!" They have this image of libraries by looking at the reading room at New York Public, a quiet peaceful place with a lot of mahogany.

Let's talk next time about the negotiation process and how it can help each of us accomplish our goals.

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Here is **Vikki Medaglia's** <MEDAGLIA@babson.edu> new mailing address — Horn Library / Babson College / Babson Park, MA 02157-0310. She writes that she loves her new job, and that she will continue doing **Marketing to Libraries** beginning with the September issue. Hooray!

Carol Diedrichs (OSU) <chawks@magnus.acs.ohio-state.edu>, Editor-in-Chief, sends word that **Tschera Harkness Connell** is the recipient of the 1996 **Library Acquisitions: Practice & Theory Research Award**. Dr. Connell is Assistant Professor at the Kent State University School of Library and Information Science. Her proposal, "Effects of Series Authority Control for Acquisitions," "grew out of the 1993 proposal from the

Library of Congress to discontinue the series authority work. [A subsequent decision was made in Fall 994 that LC would continue to provide added entries and series authorities.] This study will address such questions as to what extent (if any) will eliminating series authority control increase the potential for duplicates in the acquisition process? Specifically, the issue will be examined in the context of approval plans. Is it possible that the series control is monitored sufficiently by the vendors for purposes of preventing unwanted duplicates?"

H.W. Wilson has published **Facts About the Supreme Court of the United States**, a new volume in the "Facts About" family of references, 569 pages, ISBN 082420896x \$55 U.S. and Canada.

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