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Competition and Technology as Forces of Change in the Library Market

by **Jay Askuvich** (General Sales Manager, Midwest Library Service, Los Angeles, CA) and **Forrest Link** (Northeastern Regional Manager, Midwest Library Services)

For the last several years, there has been much hand-wringing by some book vendors regarding the supposedly abysmal state of book-jobbing; about how vendors are finding themselves swept along in the raging currents of ferocious competition, esurient publishers, expensive or potentially supplantive technologies, shrinking library budgets, and unreasonably demanding customers. We have seen significant mergers of some book vendors and heard warnings of the imminent demise of others. Libraries, aware of these problems and anxious about the future of their suppliers, increasingly hear the clarion call of disintermediation via the Internet, viewing this prospect as a safety net should the current supply chain fail altogether. Yet to date, the Web has done very little to change fundamentally how business is done. Businesses still want to sell things; consumers to acquire and consume. What has changed is not this reality, but the vector of our commerce. There may be "problems in the pipeline," but the plumbing is still sound. This article will highlight our view of the difficulties noted above and offer an optimistic look at the near-term future.

First and foremost, we must understand that bookselling is a business. Booksellers engage in this activity primarily to make a decent living. We sell books instead of plumbing fixtures or eyeglasses or cement simply because we can and we enjoy working with librarians. We have developed the skills and contacts to compete successfully in filling a commercial need. It is only incidentally that we further the pursuit of higher academic and social goals. The future of bookselling belongs to vendors who never forget this.

For booksellers, as with any other mature business, competition is simply a given. For us, the competition has traditionally been other booksellers, local or campus bookstores, and direct buying from publishers. Because books are low-margin commodities and because book budgets have been essentially flat in recent years, vendors have pursued growth by attempting to increase market share. This has often come at the expense of profit margins.

Reacting to this situation in a prophetic piece for *Against the Grain* a few years ago, **John Secor** of YBP noted with regret that "few booksellers regularly engage their customers in a dialogue that speaks to the profit margins their company needs in order to meet critical objectives and goals." (*ATG*, Feb 1996, page 21, **John Secor**, "Why Some Vendors Will Endure and Others Will Not.") While agreeing that frank and ongoing communication is essential to the vendor/library relationship, we believe that an unregulated company has no interest in discussing the specifics of its margins with customers. Public professions of inadequate margins, in an attempt to stem the tide of customer demands, exacerbated by an unwillingness to mitigate said demands strike a mendicant note; margins which seem too high when openly revealed by vendors lend the appearance of corporate greed. The dictates of the marketplace should be allowed to establish the profitability of an enterprise. Competition ought not to be enervating, but invigorating.

Book vendors and publishers have long had an uneasy relationship. We vendors regard ourselves as an integral and expert part of the supply chain from producer to final user, offering unique value-added services ranging from basic invoice and shipping consolidation to sophisticated bibliographic enhancements. We suspect publishers often view us as ancillary players at best, parasites at worst. This tension has played itself out in occasional turf battles over rights to resell certain titles (witness **Bowker's** vendor embargo on **Books in Print** a few years back), the rise of aggressive telemarketing by publishers for direct sales, and, of course, in declining publisher discounts to vendors.

The discounts that publishers have traditionally afforded to book vendors have shrunk over the past several years and continue to shrink. Publisher pricing decisions are influenced by the same market conditions that affect all producer-pricing decisions: competition from publishers of similar content who either have or soon may publish a like title, the market that is being targeted, and perceptions of what prices

the market will bear. In our over forty year's experience with the book publishing industry, few, if any publishers' margins have increased or even held their ground. Long discounts have been whittled away, a point here and a point there. Even worse, short discounts have been ravaged, losing 10% to 15% or more in a single season. Shipping costs passed on to us by publishers have also increased with time. Finally, most library book jobbers are unwilling and unable to refuse fulfillment from a particular publisher based solely on the basis of wholesale discounts.

The consequence for vendors of this confluence of an apparent unwillingness to temper ever increasing competitive discounts to librarians, brought on by fears of losing market share, and a persistent diminution of publisher margins has been a growing difficulty in making ends meet. This is the underlying reason why not one new nation-wide traditional book jobber has appeared in the last fifteen to twenty years. In an investment climate where much capital has pursued high-risk, high-return ventures, the modest potential of even a flawlessly managed bookselling operation is singularly unattractive. More conservative investors would do better to buy insured bonds or CDs than enter this cramped marketplace. Despite the upbeat face put on some recent mergers, they represent competitive failures.

Notwithstanding the ongoing but foreseeable problems noted above, the biggest challenge facing book vendors is nascent technology, both as it affects internal processes and as it shapes the marketplace. We have managed in some cases to offset decreasing margins by improved efficiencies in operational data management. But the price of this gain seems to be perpetual bondage to expensive machinery and even more expensive and sometimes capricious personnel to service it.

Since the mid 1990s (if not before), libraries, always technologically lustful if not wise, have viewed the Internet with unbounded optimism, seeing in it potential solutions to their problems of limited space, budgetary uncertainty, and declining relevance. A cursory review of recent library literature proffers the notion that access equals ownership. The fact that access is now fractionally cheaper than ownership has facilitated this delusion. Increased reliance on electronic data has had the unintended consequence of reduced patron flow into libraries as students and faculty utilize these facilities by proxy. The perverse consequence is an upsurge in library coffeehouses set up to bring bodies back into the building.

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AUTHOR'S BIO

Jay Askuvich was born in St. Louis, Missouri and now lives in Los Angeles, CA (ca. 1975). He has been married to his wife **Carol** for 32+ years. He has three daughters and one son-in-law. His first position was warehouse clerk at Midwest Library Service (ca. 1964-65). He served in the USAF, 1966-1970. His current position is General Sales Manager, at **Midwest Library Service**. His hobbies are traveling and computing. His favorite authors are Arthur C. Clarke, Isaac Asimov, and Tom Clancy. Jay's ambition is to be a positive role model to his grandchildren.

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Book vendors have noted this trend, sensing correctly the Internet-engendered demand for convenience as books, serials, databases, indexes and government documents have all fallen under the general rubric of "information." As libraries strive to become one-stop information centers, this has fostered a greater sense and expectation of immediacy—immediacy in the acquisition as well as the provision of information. As a result, approval vendors have stressed the convenience aspect of their service, marketing the merits of shelf-ready books. Online vendors have pitched the virtues of extensive inventories and concomitant fast fill rates. Brick and mortar vendors have promoted online access, if not to inventories, then at least to large databases, always assisting in the order placement process, the holy grail of commerce. Traditional firm-order vendors have persisted in offering extraordinary customer service and superior fulfillment in non-mainstream publishing.

Perhaps the most dramatic visible impact of the Internet on academic library book vending has come in the area of out-of-print distribution. In the last few years we have seen an amazing electronic consolidation of OP dealers and their inventory files and a marketplace-driven standardization of OP book prices. In conversations with **Narda Tafuiri**, an authority on the OP market, we have learned that many old-line dealers lament the cost of this change in their decreased per-book margins, but there is no turning back here. Book publishers who had been compelled, in part by tax law, to reduce print runs are becoming reluctant to declare titles OP, hedging their bets on "out of stock indefinitely" reports while licensing their content to e-book consolidators. As time goes on, less and less will truly be out of print. Furthermore, a more careful management of printing schedules and timing may result in a reduction of physical books entering the OP market.

There are other challenges on the horizon. If and when format and distribution become standardized, traditional booksellers will need

to decide whether to support or ignore e-books. This decision will be based, first and foremost, on the perceived profitability of this commerce. Since there will be no physical objects being sold (unless we sell electronic readers) revenues would need to be derived from brokering, licensing, and indexing fees.

Finally, publishing on demand may result in the ultimate of disintermediation if libraries see a benefit to investing in the hardware and personnel needed to support it. Already some bookstores are experimenting with local book production, mostly of theses, but the concept is a sound alternative to the e-book. If the pricing is competitive, the product reasonably attractive and sufficiently durable, and the selection broad enough, sales of locally manufactured monographs could devastate the traditional book wholesaler and profoundly affect traditional book manufacturing.

Are librarians too demanding of their booksellers? Excepting the statistical few who are constantly beyond the norm, we think not. We are often surprised when other vendors complain of the insatiable discount hunger and other demands of their customers. After all, book vendors have trained libraries to want more, our carrot (pricing more favorable to the customer) always being larger than our stick (refusing to submit to the librarian's demands, effectively forgoing the opportunity to do business). But the recent problems faced in the vendor community would suggest that the stick

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AUTHOR'S BIO

Forrest Link, a lifelong resident of New Jersey, has been the Northeastern Regional Manager for **Midwest Library Service** for 21 years. Prior to that, he was briefly a cataloger and then sales rep for **Baker & Taylor**. He spent his formative years at Rutgers University where he earned his MLS as well as a BA and MA in Classics. He and his wife **Margaret** have three children, including a teenaged daughter. Forrest reads voraciously, if not critically, and aspires to be a curmudgeon. Those close to him think he will succeed.

Evolution of the Supply Chain in Academic Library Bookselling

by **Matt Nauman** (Director, Marketing & Publisher
Relations Blackwell's Book Services)

Years ago the supply chain in library bookselling was very simple: libraries bought books from publishers or local booksellers. In a broader sense, the process went like this: authors wrote books, publishers published books, libraries placed orders, publishers delivered books, and libraries cataloged the books, put them on the shelves and paid the publishers. Now, except in increasingly rare instances, the supply chain has evolved into a more complex process.

The situation started to evolve during the 1960s. At that time American libraries had a great deal of government funding at hand - so much that it was often difficult to spend it efficiently. As a result, they began to shift book purchasing from publishers to library specialist booksellers because of the efficiencies they offered. Companies like **Richard Abel** and **Baker & Taylor** offered consolidation of ordering, invoicing, and payments as well as discounts. This shift in the supply chain gained momentum in the later half of the 1960s and early 1970s as the **Richard Abel Company** and

others developed new systems—including approval plans. By the mid 1970s, larger libraries used booksellers for most of their book purchases.

The academic library supply chain continued to change with the increasing variety of services offered by library booksellers (e.g. selection services, ordering options, cataloging, and shelf-ready processing) but it was still fairly simple. Libraries ordered from booksellers who ordered from the publishers who delivered to booksellers who in turn delivered to the libraries. The enhancements offered by booksellers made library purchasing more efficient but the path to the customers was still recognizable.

It is no secret that since those days of generous funding the purchasing power of libraries has been in decline. The trend of academic library book purchasing in the US during the 1990s has not been pretty: from 1992 to 1997, library budgets increased 7% but the median cost of monographs increased by 25%. More important, between 1986 and 1996 journal subscription rates increased by 169% (source: *LJ*), acting as a drain on monograph budgets. To-

day, library resources are further strained by increasing patron demands and the costs associated with library technology. To make ends meet, academic libraries in the US and around the world have turned to their booksellers to provide more and better services. One irony here is that approval plans started life as a way to spend a great deal of money efficiently. Now they are seen as the best way to get the most out of decreasing funds.

The development of these services has also meant that the booksellers have had to increase efficiencies and this has led to a continuing evolution of the supply chain. One of the most important changes in academic library bookselling came in the late 1980s when some vendors began ordering books from wholesalers rather than directly from publishers. Gradually another link was being added to the chain. Why? Ordering from wholesalers added efficiencies to library booksellers' operations and gave a competitive advantage in speed of delivery. Much of it was due to pressure from

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customers to deliver books faster. Wholesalers hold large inventories, use EDI for all transactions, and are highly skilled at efficiently distributing titles. The result is that delivery to booksellers by wholesalers can often be made more quickly than by publishers (e.g. overnight) and at reasonable discount terms. This enables the library bookseller to concentrate on providing other services required by its customers while also meeting the demand for faster delivery.

During the past two years, change in the supply chain has accelerated as new technologies have come to the library market. For example, Print on Demand (POD) enhances the availability of monographs in these days of short print runs as titles that were once unobtainable as firm orders are once again available. Library booksellers frequently order POD books from companies like **Lightning Source Inc.** and **Replica Books**. POD is also an important part of any publisher's eBook program – this is especially true as publishers talk of producing “format neutral” books. So now the supply chain for a firm order might be: library places order with bookseller, bookseller learns that the conventional edition is no longer available, bookseller purchases POD edition from POD company or wholesaler, library bookseller receives POD edition and delivers to library. That's a very different scenario from the one presented at the top of this paper.

The development of eBooks adds yet another link in the supply chain. Probably nothing else in our industry has received so much ink and attention during the past two years. At this point, eBooks meant for hand-held devices

seems to be a product in search of a market. However, those of us in academic bookselling have seen that scholars and students expect to find research material online and use of eBooks in academic libraries is growing. It is now a budget item and questions about eBooks are showing up in bids. Probably far more important, circulation rates for eBooks appear to be higher than print collections at some institutions. As the various library booksellers develop eBook strategies, the major supply chain question remains: who will host these titles? The answer for now is **netLibrary**, but it could also be publishers, booksellers, other eBook distributors, library consortia, or all of the above. However this evolves, additional players will have entered the supply chain between publishers and libraries, and libraries will continue to require that their bookseller add value to the process.

In addition to eBook developments, booksellers are also working with online sellers of “hard to find” print books. The idea is to enable customers to search their regular bookseller databases and click directly into the hard-to-find bookseller's database for ordering titles reported as OP, OS, or OSI. Orders will be consolidated through the booksellers – again offering the customer greater efficiencies. Linking up with these online companies allows library booksellers to fill orders for books that up to now were not available to libraries interested in order consolidation through a bookseller. There is also a sense among some library booksellers that second-hand books are becoming more acceptable to customers, so they may be supplied in lieu of new books when a library requires such a service.

This has been a very simplified version of how library bookselling has gone from a simple

author-to-publisher-to-library model to the present supply chain. That model has a library bookseller purchasing books from publishers, wholesalers, print-on-demand publishers, online hard-to-find book companies, and eBook providers and selling them to libraries. Where do we think this will go in the near term?

The **Book Industry Study Group** projected a 5% gain in book sales in 2000 and in the next 5 years a growth rate of 5.1%, reaching \$30B in 2004. Clearly we will still be selling physical books. But to do so will mean developing closer working relationships with the publishers. Also, it is clear that libraries will expect their booksellers to supply books, no matter the format, plus value-added services. So, library booksellers will continue to develop as portals that make a wide variety of information services available to library customers. But libraries are not always an easy market to serve. The pressures for discount and technological development have pushed booksellers to the brink – and as we all know, some of them are no longer with us. In order to survive as well as thrive, booksellers will need to establish strategic relationships with the various elements in the supply chain that will allow us to continue meeting the increasing needs of our customers while providing a healthy return to our shareholders. However, in establishing those relationships we will probably force changes that years ago would have been unthinkable.

In the near and distant future, the library booksellers that survive will continue to do what we have always done best: provide solutions for libraries during the process of acquiring materials – whatever the source of those materials. Whether eBooks or physical books, libraries still expect their vendors to help stretch their funds and make putting books on shelves – real or virtual – easier. We may, of course, have to do so in ways unthought of before. Of paramount importance is that our customers will continue to expect us to act as consolidators that add value to the acquisitions process. It is incumbent upon us to adapt ourselves to new business developments so that we can meet those expectations.

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needs to be used more often. The word “no” is creeping back into our vocabulary.

The declines in materials budgets in academic libraries (prompted, in part, by declining enrollments) have pretty well stabilized and library administrators have finally begun to take seriously the cancerous nature of serials price increases by imposing the necessary limitations. Measures are being taken, including resource sharing, switching to some promising electronic alternatives to print journals and, most importantly, hard-nosed cutting of little-used items. There seems to be a renewed dedication to the monograph and a realization that the book budget cannot continue to be used for other institutional needs without long-term consequences. Libraries are beginning to see that some balance is necessary between print and electronic resources if only to stave off their own demise as physical entities. We may yet heed the jeremiads of **Michael Gorman** as he crusades for increased bibliographic control of tangible print. We are optimistic that the worst is over.

The current model of the publisher/vendor/library pipeline works well. The vision of the

Web as a cheap, automated, self-service distribution channel that would allow vendors and publishers to wring more profit from every dollar of revenue has encountered the realities of entrenched costs for warehousing, shipping, and customer service. While it is undeniable that the pace of technological change is quickening, basic economic laws still hold sway. If vendor profit margins are not sustainable through publisher discounts, then surviving vendors will need to find them elsewhere. This may be through a more widespread imposition of service charges, the exploitation of alternate profit centers (processing, bibliographic services, etc.) or more radical changes in pricing methods such as an abandonment of customary traditional publisher list pricing. But overall, as long as books are physical objects in need of distribution, traditional distributors will exist.

In the future, however, if books cease to be distributed as physical objects, a new breed of information brokers will likely arise. These organizations will rely on many of the value-added services pioneered by today's book vendors. While there may appear many new branches for the conduct of information from producer to consumer, the trade will continue. The pipeline will not be broken.

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Okay, y'all. You heard it here, and I wanted to tell you all personally. I have consented to run for **ALA President**. You heard it right! And, yes, I know it is unbelievable. In fact, probably berserk. But, y'all, I have to tell you that when **Barbara Ford** called me for the nominating committee, I thought ... “no, this is a joke.” But, the more I thought about it, the more I decided, why not give it a run, if I don't I will always regret it. I love librarianship. I love acquisitions and collection development. And I love all of you. How could I turn it down? And it doesn't matter if I lose. Really. At least I gave it my best shot. I figure my gravestone will say, “She was *Against the Grain*!”