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Nancy Markle Stanley

Penn State University, nms2@psu.edu

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Biz of Acq — Book & Serial Industry Mergers: Effects on Libraries

by **Nancy Markle Stanley** (Head, Acquisitions Service, University Libraries, Penn State University) <nms2@psu.edu>

The library supplier business and services have changed significantly over the last ten years and the rate of change over the past five year has profoundly changed the way libraries view suppliers. Libraries depend on vendors for a much broader range of services than ever and have a high stake in what happens in the industry. Mergers proliferate, reduce supplier choices and escalate librarians' concerns with regard to the industry. Contrary to popular belief, the library community is well aware of many challenges of being in business, because librarians face similar challenges in their libraries. This discussion is one librarian's view, in consultation with others, of the book and serials industry changes and their effects on libraries.

Like all other businesses, the library book and serial industry has stages patterned similar to the life stages of a person or even some of the products they produce (e.g. serials).

They are born and they die. In between they develop relationships with libraries and other relevant businesses through formal contracts and informal verbal agreements. They often marry by developing partnerships or mergers with other companies. They have out-of-the-nest experiences by downsizing and selling off parts. They divorce by splitting or splintering from each other. Business resurrections are rare if they exist at all. Companies in this industry almost never return their original structures or products. The strategy is to move forward with the intent to change in response to the marketplace and even to drive that change by anticipating market needs. All of these instances affect the suppliers' library customers.

One must be very careful, however, in drawing a too close analogy to the type of interpersonal relationships experienced among friends and family. After all, business is business and companies deal with the bottom line. Customers really should not expect to have the same permanence with suppliers that we have in their personal lives. Libraries, however, should expect some level of stability and dedication to customer needs. There are realities to running a business that all customers need to understand. Business thrives by assuring profits and showing growth, creating and preserving a niche or market share, and continually responding to changing markets.

Any business, like all organizations, is subject to changes in personnel and administrators, the whims of management, market needs or opportunities, and technological developments. To thrive most businesses need to reinvent themselves every five to seven years, if not more frequently, to maintain the attention of its customers. Considering the plethora of industry changes and particularly mergers in the past five years, publishing and distribution companies certainly have captured the attention of libraries.

Everyone in this business, including librarians, recognize that we live in a capitalistic society. Rumor has been for some time that the capitalistic model is breaking down. As we meld social and business needs together there is evidence that, to some extent, this is true. Societal pressures certainly affect business profits. However, if there were not sufficient profit in this industry, suppliers would not be vying so avidly for the library market. Some suppliers talked about forming partner-

ships with their customers; however, the nature of such partnerships is ill defined and, obviously, cannot be binding. Long-term binding partnerships represent a conflict of interest for non-profit institutions that rely primarily on public moneys.

To place this in perspective, we must remind ourselves that we live in a culture of "never-enough." To wit, companies talk about low profit margins. Nearly everyone in the work world feels that incomes fall short of expectations and increasing living standards are continually raising those expectations. Public institutions, including libraries, complain of low budgets. Library user expectations are increasing at phenomenal rates. Statistically, it is a fact that most library collection budgets are not meeting inflationary costs of materials. Obviously competition in the market place affects everyone.

Competition affects not only business but non-profit organizations too in both good and challenging ways. During a ground breaking ceremony for the new wing of our main library building in 1997, Penn State's football coach, Joe Paterno, charged University Libraries to strive to become number one, forging the same competitive challenge that drives his football teams. Make no mistake about it, public institutions of all kinds battle continually not only for survival and their fair share, but to play a dominant role among their peers. Good libraries help colleges and universities to attract more good students. This is not unlike companies who strive for dominant market shares. In response to the coach's challenge, the University Libraries have improved their standing. Of course, improved ratings can result from simply becoming better at responding to surveys. The fact is, like businesses, many libraries have developed a more strategic focus in moving forward. In the past decade, universities and libraries have adopted quality techniques, improved their planning skills, and benchmarked with each other to determine and engage in best practices. All of this is done to improve an organization's strategic position.

Libraries are not just competing with each other, but with the very same corporate entities (e.g. AT&T, Microsoft, Amazon, etc.) that confront our traditional suppliers. Libraries seek to maintain a niche in the world of information dissemination. Staying ahead of the customers' needs presents considerable

continued on page 79

Inside Pandora's Box from page 77

size and thereby cutting down the time that users have to wait for the animation to load.

If you have numerous documents or handouts to publish on the Web in a short time, Adobe Acrobat is a good choice for their management. It transforms different types of documents into PDF format to be viewed by the Acrobat Reader, compliments of its manufacturer. With Acrobat one can also turn PhotoShop images into thumbnail pictures on the fly, and create interactive Web forms with ease. There are numerous tracking and counter services you can use to monitor visitors to your site. If you want to do a proactive online survey, Message

Parse, a small program that works on your local computer, will help extract data from e-mail inboxes that receive survey form responses. Then Microsoft Excel can be used to open the tabulated ASCII data and turn it into a spreadsheet. Excel as well as more sophisticated data analyzing software like SPSS can handle the data analysis.

Undoubtedly, none of the software and services examined by this article are totally free. Yet, their application eventually proves to be cost effective and less prone to human error. Of course, software itself will not work without a well-trained Web developer who can use it effectively, and training itself incurs costs. Analysis of those factors, however, can be discussed in a future paper. 🌱

challenges to libraries that are serious about striving to provide the best services. Such competition presses libraries to respond to its program and community demands quickly, through its collections. Continuous technological innovations pressure everyone to change everything everyday.

Most libraries have limited income sources. They depend on public funding, tuition, and the goodwill of donors. The dollars that are set aside for materials do not always stretch far enough to meet the needs of library users. Libraries struggle to meet the rising costs of materials and many are losing the battle. Like everyone else, librarians must continually strive to get the most from their collection budgets and have learned over the years to court and choose vendors carefully and wisely, but it wasn't always that way.

Continuing the relationship analogy, when we are young, restless, and inexperienced, we enter into relationships rather casually. We play the field and move anxiously and quickly. Essentially, "smoke gets in our eyes." Humans have always had a tendency to engage in intended permanent relationships somewhat recklessly, often driven by our gut feelings. With experience, however, our strategies change and become more sophisticated. We bring more mature values and ethics to the table and improved strategies into the process of developing relationships.

While the pace may differ, most businesses and libraries very likely have gone through the same sort of growth experiences, especially if their organizations are thriving. With experience, courting a mate or a vendor assumes a more seasoned approach. Playing the field takes into account a much broader perspective. Librarians enter with their eyes wide open. Issues are discussed with prospective suppliers, including the range of services or the types of materials offered.

Often, a library will begin testing the waters with a vendor by sending them a sampling of firm orders. Under these circumstances, a true sample of an appropriate mix of orders is important but difficult to achieve, especially if there is a commitment to a current vendor to maintain a certain mix to secure optimal discounts. Once the orders are issued and received, the results are evaluated. If the vendor's services are satisfactory and meet a need, the library may continue to provide a smaller portion of orders or look for a niche with the vendor to further observe the supplier's services over time. If the library really likes what it sees and is positioned to seek another vendor, it may issue an RFI and/or RFP to an array of vendors to compare the current and prospective vendors. After reviewing the submitted instruments, the acquisitions librarian may invite a supplier representative to talk with his or her organization. During vendor presentations, the library will hear about how each individual customer is better than its competitor. Finally the library will

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evaluate all of their data and select its choice company.¹

The library then moves to firm up its agreements with the selected vendor. If formal agreements are involved, the institution's purchasing agents, attorneys and even governing bodies may get involved in granting approval. The customer profile is fine-tuned, as is the approval plan profile, if approvals are part of the agreement. Appropriate delivery systems are established between supplier and the library, which is often no small task when either supplier or library is situated in a non-major metropolitan area. If delivery systems are not appropriately set up, it will be a continual issue in the future. Finally, the library's acquisitions personnel settle into stable relationships with customer and sales representatives, building the basic glue of unspoken expectations and hopefully developing a synergy between the organizations that will be maintained for the long haul. The hope is that the library and supplier complement each other's organizations and will develop trust between them.

My point in reiterating the vendor selection process is to demonstrate the amount of money and time both organizations invest in it. Each hopes to benefit from the relationship and the shared values.

Effects of Mergers

With the above in mind, it can be a shock to the supplier's customers to suddenly receive word by phone, fax, electronic mail or, at worst, a rumor that a merger involving your primary vendor, is underway. Acquisitions and collections librarians must go on high alert. It may be tempting to simply conclude that librarians are just a bunch of alarmists and lack understanding of the needs of business. Suppliers should keep in mind, however, that the money and time

invested in establishing a relationship between library and vendors, is considerable. It is unlikely in a merger situation that libraries would take this news lightly. With continual streamlining of staff, libraries cannot afford to repeat this process frequently. A library also may have very high investments in prepaid orders (e.g., approvals, subscriptions, etc.), giving them a direct stake in the outcome of the new alliance.

As demonstrated earlier, librarians do understand supplier needs but also understand that their needs may conflict with those of the library. Suppliers should keep in mind that librarians select and deselect for reasons unique to their libraries and look for a match on local requirements. Many libraries are publicly supported with legislative reporting lines. There is heavy pressure to maintain objectivity in the selection process. A recent article in *Against the Grain*, supports the contention that mergers may add to our costs, especially for journals.² In some instances, a librarian may have an RFP underway. An announced merger may have the impact of bringing a supplier to the bid process, which the library had never intended to invite or had previously rejected. The merger could also occur with another supplier who is under consideration, which narrows and muddies customer choices. Librarians will need to examine the potential outcomes very carefully and monitor the end results.

Advice to Library Suppliers

Asking suppliers to give libraries advance notice is unrealistic and, anyway, there is little a customer can do to stop the merger. If suppliers were to consult, however, with some of their key customers, prior to final agreements, they may position themselves to receive feedback prior to the completion

continued on page 80

Bet You Missed It

Press Clippings — In the News — Carefully Selected by Your Crack Staff of News Sleuths

Column Editor: **Pamela M. Rose** (Web Services and Library Promotion Coordinator, Health Sciences Library, University of Buffalo) <pmrose@acsu.buffalo.edu> <http://www.acsu.buffalo.edu/~pmrose>

NET AND TAXES

by **Sandra Beehler** (Old Dominion University)

Groups supporting both sides of the debate over taxing internet commerce spent over \$14 million on lobbying efforts and another \$3 million on campaign contributions in 1999 to try to influence Congress. A study panel, the Advisory Commission on Electronic Commerce, which was delegated to make a recommendation to Congress, failed to achieve consensus. Major commercial Internet players are hoping at least for a long delay in resolving this question. The current ban on Net taxes expires in October 2001. It seems most likely that in the long run state and local governments will impose taxes rather than the

federal government. The stakes in the Net tax debate are high, with online retail sales expected to climb from \$38.8 billion in 2000 to an estimated \$184.5 billion by 2004.

See — “Costly Tax Show-down,” *Internet World Digest*, April 15, 2000.

PROFIT MAKES PERFECT

by **Sandra Beehler** (Old Dominion University)

An estimated \$250 billion of the \$1.1 trillion spent annually on health care in the U.S. is lost to administrative waste. Health care organizations as well as commercial interests hope to use the power of the Internet to reduce such costs and distribute health information more efficiently. Obstacles to overcome include incompatible information systems and an understandable mistrust of new, unproven

players in the life-and-death business of health management. However new regulations from the HFCA are forcing physicians and hos-

pitals to meet strict standards in automating health information. Physicians and health care managers alike see a major role for the Internet in improving exchange of health and patient information, keeping better track of patients with chronic illnesses, reducing administrative costs and preventing deaths from medication errors. Enough potential profit is involved to attract the minds and the money to solve the ongoing health care crises in the U.S.

See — “Healing the Health Care Business: Why the Internet is not a Magic Pill,” *Internet World Digest*, May 15, 2000.

Biz of Acq from page 79

of agreements and resolve some of the issues in advance for the library customers.

In approaching mergers, suppliers are naturally concerned about how they should roll out the information to current and perspective customers and when announcements should occur. Often libraries become aware only after the fact and lack detailed knowledge of merger agreements or the potential effects on agreements between the vendor and its customers. Those detailed announcements of the mergers to customers are carefully crafted and choreographed to diminish customer concerns. Nevertheless, they are not always successful.

Announcement of mergers should include or attach a financial statement of the new company. A bank reference to key customers also would help. In addition, mergers often translate into streamlining of services. There may be a slippage in quality and standard turnaround times or improvements. Assuming good customer services from the former company, libraries need to know that the company representatives, who are providing current customer support, will remain at the very least for a transition period, since building new relationships can be time consuming.

Libraries understand good customer support and services and are positioned to pro-

vide useful feedback. A wise move on the part of the newly formed vendor might be to send customers a simple but short survey, giving librarians a chance to provide feedback on their issues with regard to the potential effects of the merger. On the whole, library supplier services are generally quite good and often excellent, but the changing face of a business affects those support operations. Libraries know quickly when customer support workloads become too heavy. In the work world today, although many of us enjoy our work, there is inevitably too much of it. When library customers let suppliers know that their requirements are not being met (e.g. expected response times and quality of response), librarians and company representatives need to seek quick solutions together. For example, delivery systems between vendors and libraries are probably one of the most difficult areas to perfect. With online vendors ready to pick up the slack, both organizations need to assure minimal or no delays in delivery.

Advice to Libraries

The plethora of mergers brings fewer companies and, thus, fewer choices. This could result in increased charges, reduced service, and loss of discounts. The first question librarians should ask about is the newly merged company's financial stability. If a library decides to stay with the new company or lacks a choice in the matter, it is important to take a wait and watch approach, carefully examining the bottom line on costs and services.

Libraries must hope for the supplier's need to maintain the customer base and the related desire to serve customers well.

When mergers occur, involved suppliers often provide repeated reassurances that they are giving us one “swell deal.” However, the “proof is in the pudding.” Certainly each library customer will need to decide if the newly formed company meets its needs and to act accordingly, taking steps to re-establishing the relationships or to move on. Librarians should not overlook the important fact that often there are new services to be gained (e.g., Web-based services, EDI, etc.).³ Many smaller suppliers have sold out to larger companies to gain access to new technologies. Libraries should examine them carefully and take advantage of them whenever possible. Because of local requirements for doing business, there will be instances where select libraries will be forced to initiate a new RFP process or restart one in the works.

With regard to mergers of publishers and producers of information, librarians need to be very watchful of potential mergers that could affect the general marketplace. In addition, librarians should also be attentive and respond to court and federal and state legislative activities that affect the libraries' ability to acquire materials, providing support to professional associations who are advocating in behalf of libraries.⁴

continued on page 81

Conclusion

Library suppliers and libraries need to remain mindful of each other's needs. Change is a constant and will never go away. All organizations must remain flexible and open to change but mindful of the bottom line and driven by the dollars available. Generally, libraries are publicly supported and cannot rapidly enhance their budgets. Companies continually strive to improve their profits and have a need to move in fast-paced time frames. Producers, suppliers and distributors in the information chain, including libraries, must continually seek best practices and good relationship across their organizations to benefit library users everywhere.

Endnotes

- 1 Wilkinson, France C. and Connie Capers Thorson, *The RFP Process: Effective Management of the Acquisition of Library Materials*. Englewood, NJ: Libraries Unlimited, Inc., 1998.
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- 4 "What Do Mergers Do For Libraries?" *Against the Grain* v.10, no.1 (February 1998): 31.

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PUBLISH, PERISH, OR PERSIST?

by Pamela M. Rose (SUNY at Buffalo)

Will scientists abandon traditional journals and share their research directly on the Internet? Although PubMed Central's ambitious plans have been scaled back due to technical problems, other companies like Current Science Group are undeterred in their efforts to offer free online research papers. Meanwhile, CrossRef, a publisher-initiated

fee-based alternative to PubMed, was launched in June, and traditional publishers continue to dismiss free publication schemes as utopian.

See — Eliot Marshall, "Publish and Perish in the Internet World" in *Science*, p223-4., Jul. 14, 2000.

WE NEED A BIGGER GARAGE!

by Sandra Beehler (Old Dominion University)

A business opportunity is developing, as IT managers look for solutions to the problem of providing storage and access to huge amounts of data. The amount of storage space needed has jumped over the last five years from gigabytes to terabytes and soon to petabytes. Vendors are betting on Storage Area Networks (SANs) as a long-term solution. The article describes SANs as "collections of Fiber Channel drive arrays, linked with hubs and

SCSI-based tape drivers." SAN technology is still in its early stages, and standardization is needed for optimal efficiency. Access tools (e.g., gateway buses for servers) also must be perfected. For those unable to afford the expensive infrastructure for data storage, future options may include leasing SAN space.

See — "Cleaning Out the Files," *Internet World Digest*, May 2, 2000.

ONE-STOP TITHING

by Sandra Beehler (Old Dominion University)

This article briefly profiles a company called govWorks, which aims to make the interface between government and the public smooth and instantaneous through the Web. It offers 24-hr response on questions about government, as well as allowing citi-

zens to pay taxes or settle parking tickets online. So far, govWorks has established partnerships with 780 localities around the U.S.

See — "Company to Watch: govWorks.com," *Internet World Digest*, May 15, 2000.

TO PROTECT AND CONTROL

by Sandra Beehler (Old Dominion University)

The connection between a new digital rights management company called ContentGuard Inc. and Microsoft could spell the end of free content on the Web. Microsoft, which owns an interest in the new company, intends to embed this digital rights management technology into its existing software—Windows, MediaPlayer, Explorer—as well as its upcoming e-book reader, Microsoft Reader. ContentGuard is an offshoot of Xerox Corporation, and its technology employs Extensible rights Markup Lan-

guage (XrML), which it hopes will become an international standard for the digital rights industry. The technology "enables authors, artists, songwriters, and programmers to protect and control the way in which their intellectual property on the Internet is used, copied, distributed, and purchased."

See — "Two Giants Team Up on Digital Rights Management," *Internet World Digest*, June 1, 2000.