ATG Special Report--Part 2--Industry Consolidation in the Information Services and Library Environment: Perspectives from Thought Leaders

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ATG Special Report Part 2 — Industry Consolidation in the Information Services and Library Environment: Perspectives from Thought Leaders

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In June we published our first 10 responses to the following “consolidation question.”

Large companies grow larger through acquisition. Of course each acquisition is justified in terms of strategic fit, the need to offer “full service” to customers and complimentary services; but it is the need to grow that is the ultimate driver. Small companies either operate in unique niches and sustain their place or go head to head with large companies and generally lose. Of course the small companies operating in unique and profitable niches are the acquisition targets of the large companies seeking to grow larger. Perhaps it is a virtuous and useful process/cycle with small companies innovating in important niches and then going to scale through acquisition by the large company. Or, perhaps, innovation and customer choice suffer when the small companies are acquired. If that were the case, why then would large companies be interested in acquiring small companies? This then is the question: Think forward to 2026. Assume what you will about the changing needs of libraries. Consider the pace of consolidation and the nature of consolidation we have seen over the past 10 years. Factor in everything from demand-driven models to open access. In 500 words or less, please give us your take on the future impact of consolidation on the industry. Concerns like competition, pricing, the growth of startups, etc. are all grist for the mill. Please keep in mind that we are looking for your candid opinions on this crucial issue and naturally we’d be delighted if you could tell us something we hadn’t considered or don’t already know.

The response from our readership was swift and we received another 13 responses from industry leaders whose opinions we sought. In the first 10 responses published in June, various themes emerged that I summarized as: information consumers will rule and win. Cost per access/use will keep going down. The boundaries of the library and the academic book of the future are becoming increasingly fluid. The cloud and open source, services, content will become more and more central.

These themes continued in the second wave of 13 responses but there were new themes and new poles of perspective. For example, in this second batch of responses the definition of consolidation extended beyond the expected habit of for profit entities to acquire other for profit entities. In this group of responses consolidation took on three forms: commercial business consolidation, the merging of university presses and libraries, and the need for libraries themselves to coordinate and consolidate a range of activities from buying to cataloging to collection development strategies.

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Endnotes
Another striking element in the 13 second round responses was what I would describe as two opposite poles of thought on the impact of consolidation. On one pole were the optimists who pointed to the constructive tendency of periods of consolidation to produce a reaction of entrepreneurial activity (and I certainly saw this in this textbook publishing space 10 years ago …). On the other pole were the much less sanguine folks who raise their very serious concerns that competition could be reduced, leading to risks of less choice, higher prices and/or innovators being locked out of access to library budgets.

And then there was the response from Jon Cawthorne from the University of West Virginia. Jon’s submission was less a response and more a proposal for how we might take this exercise forward. Jon’s piece introduces the practice of scenario planning as a tool we can employ to bring all of the thought and experience represented in these submissions to arrive at a consensus “most plausible” 10 years hence scenario. In my June introduction to the 10 first responses I promised a summary and integration piece for the September issue. I am now going to backtrack on that promise and, instead, work with Jon and the other participants in this process to see if we can employ a scenario planning process to arrive at our collective “summary view.” So look for a further piece on consolidation to follow later in the year or early 2017.

Response From — Glenda Alvin (Associate Professor, Assistant Director for Collection Management and Administration, Head, Acquisitions and Serials, Brown-Daniel Library, Tennessee State University) <galvin@tnstate.edu>

I began my library career in the 1970s and I have watched the consolidation of vendors of all types of formats over the past thirty years. Throughout the transition, I have evolved through stages of amusement, trepidation, alarm and now resignation.

The consolidation of vendors has meant less competitive pricing and services, especially revolving door customer service and tech support personnel. More importantly, it has brought about redundant and/or duplicate access to the same resources. Among eBook vendors there is so much duplication and overlapping of titles, that a library can end up with three copies of the same book from different vendor packages. Periodical publishers offer journal packages directly to libraries, but provide the access to those same titles via databases licensed by a large aggregator. Database vendors provide the same journal titles, often with the same embargo periods and coverage dates. Consolidation has meant that libraries end up with multiple offerings of the same titles from one source. The merger/alliance of print and online book vendors with database and media providers makes further progress toward ordering all resources, regardless of format, from one vendor.

It appears as though the startups and innovators like Serials Solutions, NetLibrary, and Alexander Street, can only be on the leading edge for so long, before they get gobbled up by large aggregators. This may be due to the large aggregator adapting the entrepreneur’s product and marketing it at a cheaper price, therefore shrinking the profit margin of the new company. It may also happen that the small company reaches a ceiling and can no longer improve the product, as it appears to happen with some ILS vendors, and this slows acquisition of new customers. Other reasons could be the cost of conducting business and staying competitive in the library market place becomes excessive or the owner’s energy and enthusiasm dims and other priorities surface. It is probable that small privately owned library businesses have a limited life span for all of the aforementioned factors.

In the future, I see only one or two library resources providers. They will offer a full array of products and services to the library through packages on a contractual basis. Selection of materials, comparative performance measurements, and competitive pricing will be a thing of the past. The need to have librarians charged with acquiring materials and developing the collection will gradually diminish and fade into the sunset, because the responsibility will have been surrendered to the vendors.

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Response From — Jeff Bailey (Library Director, Dean B. Ellis Library, Arkansas State University) <jbailey@astate.edu> http://www.astate.edu/

I am viewing the impact of consolidation within the library industry in the larger context of changes in the higher education environment, including the increasing financial limitations that many colleges and universities face. The following scenario is one that I believe is becoming increasingly possible. I would be quite surprised if something along these lines isn’t already in the internal planning documents of at least one company.

Large companies being formed through consolidation are building a resource and service base that is almost comprehensive enough to enable them to offer an impressive array of academic library resources and services (minus locally-created unique collections and an onsite print collection) more cost-effectively and more consistently than can