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Issues in Library Vendor Relations — The Urge to Merge

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Within a period of just sixty days, two of the three largest independently owned library book suppliers that specialized in the academic market, were acquired: Academic Book Center was purchased by Blackwell’s in mid-April, and Yankee Book Peddler was purchased by Baker & Taylor in mid-June. The library community has every reason to ask why this has happened, what it means, and what the future may hold.

To answer the “why” question, here is my view on this mini-merger mania. Since Dan Halloran and I owned Academic Book Center, my thoughts on the issues involved here will quite naturally reflect my perspective as a participant, but I’ll try to explore this more widely, and as objectively as I can.

Mergers and acquisitions (M&As) are nothing new in the business world, but their form and motivation are somewhat different now than in the recent past. In the 1960s and 70s, M&A activity was largely directed at assembling conglomerates, business organizations that often were composed of many different, and in some cases even competing, businesses. The aims of the conglomerate builders were diverse, but the underlying principle was to spread administrative costs and management expertise over a wide network of businesses that had little in common except common ownership. As a successful business model, conglomerates were flawed, and few survive today.

The 1980s and early 90s saw the breakup of these organizations, while another concept began to fuel merger-mania: M&As driven by economics of scale. These business models assembled huge companies within the same industry or product line. Beginning with the airlines, real estate operators, agriculture businesses, financial institutions and other commodity-like products or services, the 1980s and early 90s were a time of mega-mergers resulting in fewer, much larger companies that dominated particular industries. By dominating markets and spreading fixed costs over increased sales (attained by acquisitions or mergers), many of these companies were much more successful than they had been in their original smaller guises. In the 1990s even airlines began making substantial profits as a result of mergers and market dominance (and thanks to low oil prices and affinity programs). The local community bank has become a pleasant memory, like record players and independent neighborhood bookstores.

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In this last decade of the 20th century another factor is fueling M&As, and this one accounts for the two recent mergers I am discussing here: business organizations use acquisitions to solve problems or extend market reach into areas that are related to their field of business but in which they do not have the necessary expertise. Another way of thinking about this is the increasing use of Outsourcing as a business strategy (or, for that matter, a library management strategy). High tech companies are masters of this strategy. IBM, AT&T and other similar companies make acquisitions continually in order to instantly avail themselves of a new technology they need, or a new market segment they find attractive. Because the high tech business is such a fast-paced environment, it is often more effective to buy a company that has solved your problem than gear up to solve it yourselves. Selling books to libraries is as high tech as you can get, and lagging behind the competition in developing the online and other technological services that librarians want will inevitably lead to decline and demise. It's only a matter of time.

Blackwell's had a problem they needed to solve. They needed a new CEO, and after a worldwide search, they identified Dan Halloran as the ideal candidate. In addition to Dan's individual qualifications, is the fact that he, along with a group of fine managers and staff, ran a successful company that provided superb service and technological innovation. By acquiring Academic from Dan and me, Blackwell's gained the CEO they needed, a team of experienced managers from both companies, and an almost instant creation of new ideas and approaches to problems that all library suppliers face today. By combining companies with two different cultures, but the same kind of commitment and expertise, Blackwell's got the best of both organizations. For Dan and me, the purchase of our company gave us the financial stability we had worked many years to achieve, and just as important, an opportunity to work with a group of enthusiastic people at a company with a worldwide reputation for bookselling excellence.

Baker & Taylor has, for many years, been an outstanding supplier of books to public and school libraries, as well as one of the two largest wholesalers to bookstores throughout North America. But B&T has never achieved the academic library market the same success it enjoys in these other two segments of the library market. By purchasing Yankee, B&T has gained a highly esteemed academic library supplier.