

THE IMPACT OF NEW MODELS ON THE NEW MODEL SUPPLIER

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Let me begin my status as speaker and a few words on how I am going to speak to the title of my portion of this session: The Impact of New Models on the New Model Supplier.

Firstly, I must make clear that I am not speaking for Blackwell's today. I retired after 30 years with the company last November - all in library supply - and, although I continue to consult for Blackwell's, what follows in no way represents any formal position or views that the company may or may not hold. These are entirely my own views, admittedly based on years of representing the products and services of Blackwell's to academic libraries in many parts of the world – but also on many discussions with colleagues and competitors during that time.

Secondly the title of my paper as it appears in the programme. Well I am certainly not going to be providing a view of some alternative New Models. If I knew what the successful New Models were likely to be, I would be very profitably selling my consultancy services to those who are wrestling with precisely these issues now. There are, I know, suppliers (no less than 17) in the audience who have some thoughts on the subject and I hope we can persuade them to contribute to discussion later, to add their views and to correct and modify mine.

Rather I am going to give some brief personal observations on just some of some of the issues and factors that have led to the need for new models - since it is fairly obvious from what we have seen in the last couple of years that the old ones are not working in the way that they once did.

And let me make it clear immediately that I entirely concede that much of what I say will be looking backward rather than forward – in contrast to many of the other papers given here - will be anecdotal, very subjective, argue from the particular to the general, and will be partial.

I should just add one further point: I am going to concentrate on books rather than serials or electronic media. Partly because books is the area I know best but also because I think they rather got short-changed at the last Retreat. Nonetheless, some of the comments – as you will see – have

obvious relevance to the ways in which libraries and library suppliers deal with each other - regardless of the product or service being acquired.

It is very tempting for a just-retired library supplier to look back at a golden age of library supply. Through the mists of time one recalls a world in which library funding appeared adequate, indeed generally increased year on year, in which library suppliers competed but with a deal of mutual respect, and in which price was a minor factor in the libraries decision to buy. Judgments about a supplier's performance were based on speed, accuracy, fulfilment and – of course - how well the parcels were packed. (And let me recognise immediately that I acknowledge that conditions in the American domestic market may well have been very different to most of the rest of the world and had a much sharper commercial edge).

Personal relationships between the supplier and the librarian were absolutely critical and often overrode commercial or service concerns. Acquisitions librarians were the decision makers in selecting their suppliers. Suppliers devoted enormous effort to developing those relationships.

In part this contributed to what was, I now think, a slightly unhealthy culture of hospitality suites and wining and dining that may appear trivial compared to many other industries but nevertheless may have stepped across some hard to define boundaries of ethical behaviour.

Now, in many ways, this was a wonderful environment in which to work. It was not really a bottom line driven business. It was possible to make reasonable profit. Certainly there was relatively little pressure on price in many markets. (Again, I note the exception of the US domestic market). In part of course this was a consequence of legislation in some countries (the Net Book agreement here in the UK for example) but it was also quite clearly part of the culture of the customers – the libraries.

Because that cosy – and very enjoyable world – was one in which trust and the personal relationship could and often did outweigh the commercial basis of the relationship. I well remember a new Financial Director arriving at Blackwell's in the late 80's who, as part of his initiation into the business of library supply, asked to review the contracts we had with our customers. For 95% of our business – and certainly for virtually all our trading with major academic libraries, no such formal contracts existed.

But, he said, you must have file copies of the letters in which we set out our terms of trade. Well, mostly they didn't exist either or had been so modified over time that the original correspondence was no longer meaningful. Trading relationships were established and maintained by personal visits and constant dialogue. The agreements were handshake deals. It is my strong impression that this was not a situation that was in any way unique to Blackwell's.

There is no suggestion that there was anything corrupt in this or that there was any profiteering on the part of library suppliers. But, looking back now it seems to me that neither the supplier nor the librarian were in truth acting very professionally in a buyer/seller relationship.

The consequence of these intensely personal relationships was twofold: firstly, the general profitability of the trade combined with those relationships between the librarian and the supplier were two of the reasons that suppliers would tend to accommodate the diversity of library requirements without too much challenge. Certainly in Blackwell's - and I am sure it is true for other suppliers - a vast range of exception routines built up to accommodate different library procedures.

And in most cases the truth is that no real attempt was made to cost or charge for providing any particular uniquely customised service - no matter how unusual the request.

Secondly, it is also true that many librarians did not actually know or understand the commercial terms they were buying on. As conditions changed in the library community in the 1990's, it was common to receive letters asking us to spell out what exactly were the terms and conditions of our relationship. I know from discussions with librarians that this situation was not unique to Blackwell's and that there was often a general ignorance of exactly how their suppliers priced - and by pricing I include all such elements as freight, insurance, and exchange rates (both buying and selling), pricing for low/no discount material, payment terms etc

As I look back on those times now, I am amazed at the niceness but also the commercial unprofessionalism of it all. And to make it clear, I am not claiming innocence on the part of the library suppliers in creating this world - absolutely not. They more than acquiesced and in some ways, maybe unthinkingly, actively encouraged the lack of transparency and certainly encouraged the culture in which the "special quirk" of service -

or the large lunch - would be provided without charge. It is how we competed.

And just to pre-empt either a supplier or a librarian leaping up and saying “that’s not the way we did it” - I know I am generalising. I am sure that there were honourable exceptions amongst both libraries and library suppliers – but I am equally sure that the general truth holds.

Well, those days are dead and gone and we know the reasons for it. They have been often rehearsed in recent years: amongst others, the constraints in library funding, increased competition for the materials budget and the constant requirement for acquisitions staff to justify to their superiors that they are achieving best value for money from their suppliers (although a number of different definitions of what might constitute best value are certainly in play).

We have seen in the UK and Europe the introduction of legislation requiring formal bids and contracts over certain levels of expenditure. We have seen the advent of consortia – again particularly in the UK but also elsewhere these have tended to be – as far as the library supplier is concerned – purchasing consortia. In other words, libraries that have come together with essentially only one purpose: to combine their purchasing power to secure the best possible terms from suppliers.

I entirely welcome the discipline and the formality that this process has brought to the relationship between the library and the supplier. A process that forces formal definitions of requirements and of service expectations, includes rigorous site visits before a supplier is selected, incorporates regular formal reviews of the relationship and above all, forces transparency of pricing so that true comparisons between suppliers can be made can only lead to a healthier commercial relationship.

So I am convinced that overall there have been great benefits from this process of formalisation. But it has not been an entirely comfortable experience for the suppliers. Let us look at Consortia. If these are formed solely – to put it at its crudest – to generate (the first draft used the word extort) the best possible terms from the supplier, then there are – from the suppliers’ perspective - none of the benefits, which would normally accrue from working with a group of libraries that have some mutually cooperative end in view. In fact the reverse may be true.

It is my impression that many institutions are reluctant members of their consortia, have joined because they have no real alternative but to do so,

and have done so on condition that they can maintain exactly the same package of services with all its local idiosyncrasies that they have received before. Now this does not simply mean that there are no economies of scale for the successful supplier but another variable may be added.

In order to satisfy a individual library's requirement, to respond to the consortia bid the supplier may have to develop services which they had previously consciously decided not to develop or provide on the grounds that they were uneconomic or had no wider market. That is a relatively easy decision to take where a share of only one library's budget is at issue. It becomes an entirely different decision when failure to meet that one library's requirement may mean/probably will mean the supplier is unable to bid successfully on the consortia business as a whole.

And some of the consortia are so significant in terms of volume and market share that it is very hard for a supplier to simply say "No" and see themselves excluded from that business for the next 3 years.

Also, of course, there is a concern amongst suppliers that in the final analysis, as long as other criteria - some fairly subjective - are broadly equal, then price becomes the sole determinant of the award. Again, the business is so significant that for what are felt to be strategic reasons suppliers may bid at terms which are commercially questionable and, potentially, call the viability of the supplier into question.

Well, the pricing offered by suppliers is not the librarian's responsibility. Clearly it is for the supplier to determine what is and is not an economic bid and they have only themselves to blame if they end up offering pricing that loses them money.

However, I was saddened by the fact that I saw relatively little attempt by consortia to work constructively with suppliers to find ways in which cost can be driven out of both the library and the supplier's operations. In my experience - and again, there are exceptions - there has been very little truly collaborative effort to find ways in which simpler, cheaper, faster more standardised processes can be applied. I worry that maybe a significant opportunity is being missed.

Equally, I suspect that suppliers may not have been sufficiently imaginative in either initiating these dialogues or in constructing pricing models that encourage and stimulate the standardising of the supply chain and the elimination of library unique exception routines. So they are left

with the worst of all possible worlds: terms based on a consortia spend but still dealing with each library as an individual customer.

One of the other downsides to the relationship moving to a formal bid and contract basis – as business moves from one supplier to another – is the loss of the long term relationships between library and supplier that was for the people of both institutions one of the most rewarding aspects of the traditional model and which unquestionably did and does have value. And I suspect both parties have not yet found a way of accurately costing what is involved in changing suppliers and establishing new relationships and understanding. That there is a real cost to both parties I am sure.

So what are the threads I am trying to draw together?

Firstly, that I believe that generally the commercial relationships between suppliers and libraries are on a much clearer and transparent basis than was true in the past and essentially that that is a consequence of introducing more formality into the process.

Secondly, overall that process has had an adverse effect on the economics of library supply because it has not been accompanied by an equivalent effort on the part of libraries working together and collaboratively with library suppliers to drive cost out of the supply chain - as opposed to out of the library.

Thirdly, that library suppliers are themselves to blame for much of what we most grumble about: it was the suppliers that created, or at minimum, acquiesced in the environment in which individual library requirements were met without charge, in which value added services were provided free regardless of whether they cost £100 or a million pounds to develop and maintain. It was library suppliers who utilised price to win business from competitors and who set new benchmarks for discounts for consortia and major contracts and effectively turned it into a price driven business.

And, I admit, having been there and done that, given the competitive and essentially contracting market in which we exist, I am not sure what other strategies would have been successful.

But, to oversimplify greatly, the commercial beneficiaries of all this have been the libraries and, whether it was largely their own fault or not, the library suppliers have paid the price. The consequences we have seen over the past couple of years and my guess is that there is more turmoil to

come and a further reduction in the choice of suppliers available to the academic library community.

I did some research before writing this paper. I read the last three years issues of *Against the Grain* in the wonderful setting of the New York Public Library. If I did need my faith in libraries restoring, this did the trick. Courteous and prompt service (the issues were delivered within five minutes) to a stray Brit who walked in off the street – and this in the week that *The Patriot* was released.

Against the Grain is – as far as I am aware – one of the few journals that consistently contains articles relevant to this subject. In recent issues there are articles by John Secor, Bob Schatz and Gary Nees from the vendor community that address some of the same concerns I have touched on today. I commend the journal to you; if your library is not subscribing – and you are not reading it – you should be.

Finally I would like to pick up on a point that Herman well made in his opening paper yesterday. The overall health of each of the elements that make up our ecosystem is important to the health of the whole. He was referring particularly to subscription agents. Booksellers and agents face some different - but some similar - issues. If the academic library community still believes that booksellers/library suppliers have value in that ecosystem then they need to look to ways to ensure they are still there to provide that value.

I would suggest that the library community should consider whether there may be any dissonance between what they say they seek and value – whether that be diversity, choice, added-value services – and what they actually do in practice when they deal with their suppliers.