

Development for European and American Subscription Agents

C. Schuurman, Swets and Zeitlinger B.V.

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Introduction

Now Europe is moving to a situation where borders between the countries of the European Community will gradually disappear, the question arises what the influence will be on the business of the subscription agent. Can we learn from the present situation in the U.S. and the developments which have taken place in that market to answer this question? If Europe is moving to a situation where one could speak of a large homogeneous market with only small local differences will it in the end show the same characteristics as the U.S. market right now?

A large homogeneous market is easy to access by large companies. Local companies do not seem to have special advantages in such a market. Can one expect that in the end the European market will be like the present U.S. market and that in both markets one will see the same subscription agents operating?

History has created in Europe a system which is still very different from the system in the U.S. I will try to analyse the differences between American and European subscription agents and the possible development of the subscription agent, especially in Europe.

However, the fact that borders will disappear in Europe is not the only development which will take place and it cannot be isolated from other important changes which will be seen. The physical distribution pattern in particular is changing rapidly and this will have in the near future an important influence on the function of the subscription agent.

Up till now the role of the subscription agent was mainly of an administrative nature with functions such as ordering, claiming and money transfer.

In the last couple of years the physical distribution of the journal between the moment that it leaves the publisher until it arrives in the library, has changed.

Subscription agents have increasingly started to play an important role in this area. I think that here important changes may take place and that they will

have a substantial influence on publishers and subscription agents, especially those who are working on an international scale.

These changes will take place because they bring benefits to libraries which are then able to work more efficiently and serve their users better. That, I think, is in the end not only important for the libraries but also for publishers and subscription agents.

Differences Between European and American Agents

The American agent works for a large homogeneous market with one language, one culture and one currency. There are no important factors which favour small and local agents. There are of course also large homogeneous markets in Europe, but large markets like France, Germany or the United Kingdom are much smaller than the American market.

When one looks at the number of inhabitants, a reasonable estimate is that the American market is four to five times as large as the biggest European comparable market.

The result has been that the American agent in general is much bigger than his European counterpart, and that the number of subscription agents in Europe is much bigger than in the United States.

If one looks at the subscription agents in Europe the first question is whether there is a real *European* agent who is selling in almost all European countries.

In most cases we see only local (national) agents who have some sales abroad. Sales to libraries outside their own country are often limited to sales of publications from a publisher of their own country or to libraries located in countries with a lack of local suppliers (Third World countries).

Because of the language barrier libraries tend to favour publications in their own language (Germany, France) and if such a publication is not

available the next choice is often English. Because of this, orders from European libraries for European (local) agents outside their own country are small and because of other barriers, such as different currencies and cultural differences, quite a number of libraries order European publications from their local supplier.

For most European agents domestic sales are far more important than sales to other countries. As a result of this one sees a large number of smaller agents, or even bookshops.

The most important factor of this picture is that the size of the agent in Europe is much smaller than that of the American agent. I will now explain why the size of an agent is so crucial.

Influence of Size on the Subscription Agents

The main characteristic of a subscription agent is that he has to deal with a huge number of different products (journals) with different characteristics, supplied also by a huge number of suppliers often with very different supply conditions.

To keep track of all those individual products and supply requirements the subscription agent has to maintain a large database in which all this information can be stored.

Building such a database and updating the content of the database specific a very expensive operation. This can be done cost effectively only when a large number of orders for a specific title and a specific publisher can be processed. The costs of ordering and paying 25 subscriptions to a title instead of 24, are almost the same.

Building a database system in which one can store all the information required to order, claim and pay a subscription properly is only one side of the total picture.

The other side is that one has to write programs which use that information. That this is not a small exercise can easily be seen when looking at the expensive computer operations of the bigger agents. Everyone familiar with the development of computer systems knows that this not only requires well trained programming staff but also people who are able to specify the requirements for a system.

These people are not only difficult to find but also quite expensive and for outsiders a long period of training is required to make them familiar with the subscription business.

Since all these efforts are more or less independent of the number of subscriptions handled, it is easy to

see that there are substantial economies of scale to be achieved.

This is also the driving force behind the ongoing process of agents buying other agents or agents merging their businesses. Economies of scale can in these cases be achieved if the combined subscription base can be handled by one system, usually of course the system of the purchaser.

For libraries and publisher the results of the increasing size of subscription agents are:

For libraries:

- because of the economies of scale, larger agents can provide the same services at a lower service charge;
- agents are able to develop more services without having to increase the service charge;
- agents are able to develop new sophisticated services because of in-house developed expertise mainly in the area of automation.

Examples are:

- library systems
- on-line information systems, bringing the database to the customer
- consolidation systems

For publishers:

- magnetic tape exchange:
 - savings in handling renewals
 - savings in claim-handling
- information services:
 - checklists
 - reference information
 - payment information
 - final destination information in consolidation systems
- information service to libraries relating to publishers' titles

The strange thing is that publishers seem not to notice these differences between smaller and bigger agents and almost always honour them all with the same discount.

They do not seem to realize that bigger agents save them a lot of work but are also able to supply libraries at lower cost with a better service. And since libraries are the ultimate clients of the publishers as well, this should in the end also be beneficial to the publisher.

How Can One Benefit From Being Big in Europe and Still Adapt to the Requirements of the Local Markets?

For this I will refer to what we have done in our company. I am proud to say that I believe that within Swets we found a solution to this problem some years ago and that it has proved to work very well.

What have we done?

We have developed one computer system that was able:

- to produce output in 8 different languages
- to invoice in every possible currency
- to receive and process payments in local currencies

We created (and are creating) local offices in each important country and these offices have daily on-line connection with our central computer in the Netherlands.

With these offices we are able:

- to speak with customers in their own language
- to offer a local service
- to work with local people to overcome cultural barriers
- to be part of the local network of librarians and publishers
- to present ourselves as local agents not only to be used for foreign subscriptions but also for domestic subscriptions

We have been able to keep the economies of scale because:

- we have concentrated communications with publishers for all markets in one group in Holland
- database maintenance is also handled centrally
- we use one computer system which is built and maintained by one development group and which development is based on central and local requirements

As I said, the system works to our satisfaction for a still fragmented market like Europe. But we also see that this strategy is working for other parts of the world as well. The system is able to do the same for countries like Japan, Brazil, etc.

Now that I have explained the advantages of dealing with publishers centrally for all markets, one will see that we are not very pleased if

publishers nominate numerous agents for specific markets and require us to order from those agents. Economies of scale are lost if we have to order for each market from a different agent, or distribution centre.

It gets even worse if one wants to order for a client who wishes to make use of our consolidation service. Sometimes we are allowed to order centrally and then there is no problem. But in many cases we are forced to order from local agents and in many cases against prices with a large mark-up.

We are working in a marketing and distribution system which is turning more and more into a global integrated system and I have the feeling that agents and sole agents for specific markets or areas are in general not in line with the general development in our industry.

Developments in

International Physical Distribution

As I said in the beginning, one cannot only look at the changes that will take place because of the changing markets in Europe. Also other developments will take place which change the way journals are distributed around the world.

If we look into the past we see that the distribution of journals has changed substantially. Distribution patterns are always dictated by handling and transportation costs. Therefore, they change when underlying cost factors change. In the past, before I entered business, journals were almost totally sent to local bookshops who delivered them to libraries.

When the costs of handling these journals increased, publishers started sending the journals directly to the end-user. I do not know when this change actually took place and who took the initiative but in the beginning of the seventies regular journals were all sent to libraries direct. Only book series or continuations were still being sent to booksellers, who often were required to deliver them, like books, together with an invoice, to the library.

In the middle of the seventies new distribution patterns were explored. The main reason in the beginning was the speed by which certain libraries required the journals in their library. Of course they had the choice of airmail delivery but this proved in most cases to be too expensive.

The distribution of European journals in particular to the United States changed in this period for libraries like the National Library of Medicine. At the request of this library, we at Swets started to

collect their European journals, at our office in the Netherlands, and dispatched them by airfreight to the U.S. twice a week, for their input to Index Medicus.

Later on we developed a check-in system in order to provide the library with packing-lists and cumulative-lists of issues delivered, designed in such a way that easy check-in by the library was possible. Part of the expense for this service was covered by more efficient processing after receipt of the journals by the library.

Soon we discovered that it would be more efficient to control the complete delivery at the receiving end in Europe, so that claims could be sent much earlier to a publisher than was the case when we had to wait for a claim being processed by the library in the U.S. This not only improved the result of claiming but also saved costs in the library.

For a couple of years the situation remained as it was, apart from adding a few new things, such as:

- entering call or shelf numbers on a journal
- developing more extensive reports about issues being shipped and claimed.

In the second half of the seventies, libraries in the developing countries were discovering this type of service. Especially in those countries where, because of additional funds obtained by huge oil revenues, there was a rapid increase in the number of libraries that discovered that using an agent with a well-developed consolidation service not only made it possible for them to circumvent their local postal authorities (where they sometimes lost 20-30 % of their journals) but also helped them to cope with a lack of competent library staff.

During this period we developed expertise in shipping methods, solving customs problems, etc. We also discovered that sending a package once a week to Teheran-airport was not particularly difficult but that the last 20 miles often caused a headache. The problem was not only that the package had to arrive, but that it had to arrive on time, every week, and at a reasonable cost.

Our sales people often have spent a great deal of time, during visits to customers, in chasing up local shipping agents and searching for boxes in overcrowded airport warehouses.

Until the beginning of the eighties there was no real interest in Europe or the U.S. (apart from the couple of libraries described at the beginning) for this service.

The reasons were obvious:

- postal systems were efficient
- funds were not always available

Interest from libraries started to appear when they discovered that the claiming systems developed were becoming so efficient that the library could save enough to pay the agent for the service. Kardex systems in the library could be abandoned completely. Also, if you have enough volume to be transported from e.g. the U.S. to Europe by airfreight, the cost is almost equal to the difference in local and foreign prices.

This resulted in a system by which a library could have airfreight speed more cheaply than airmail and only slightly more expensive than surface mail and the service charge could easily be covered by savings in library staff and more complete holdings.

Journals published in the U.S. are sent to our office in Berwyn, Pennsylvania and shipped in bulk to Holland if they are for a library in the Eastern hemisphere and sent to the library directly if the library is located in the Western hemisphere.

Journals published in Europe or Asia are shipped to Holland and from there directly in bulk to the library.

In general this system works very well with some exceptions where publishers have policies that are not compatible with our requirements.

Here I should like to make a couple of remarks about journal pricing by publishers.

Basically there are three systems:

1. The difference between a domestic and a foreign price is equal to the difference in postage.
2. The difference between a domestic and a foreign price is higher than the difference in postage.
3. Prices are equal all over the world.

1. No problem. For the publisher it makes no difference to which place he is asked to send his journal. If he feels that, by sending journals to a distribution centre, he is lacking information about the final destination of his journal he just has to inform us and a flag in our computer will ensure that this information will be provided to him with every order and renewal.

2. There we have a problem. If an agent buys in the U.S. at the domestic price for a non-U.S. library the publisher feels that he is being cheated by the agent and/or library. He will lose income because of this action.

If on the other hand we are not allowed to do so, the foreign library feels that it is discriminated against compared with libraries located in the country of the publisher. Publishers should realize that you cannot charge different prices if these do not reflect differences in distribution costs. We expect that in Europe the European Commission will not accept this kind of price discrimination in the near future. Some publishers are already planning to change their pricing policies in this respect.

3. This system is only acceptable if differences in postage are too small to be important. For publishers it is good to know that libraries are not primarily using the consolidation service to take advantage of domestic prices. They want to benefit from the consolidation service because of easy check-in and automatic claiming. They can do so because airfreight often can be done at postal rates between airmail and surface mail level and so save some of this additional expense because of lower domestic rates. This is the more true in a situation where a publisher charges a foreign price which is much higher than can be justified because of the difference in shipping costs.

If for instance, we start collecting journals in the U.K. for supply overseas, we know that the major U.K.-publishers will insist on us paying the foreign rates. At least, up until now, that has been their policy.

I feel that this increasingly is going to be viewed as an unrealistic and unfair policy. I am sure that complaints will go from libraries to Brussels and that the E.E.C. will stop this in the end.

Possible future developments

In the area of physical distribution of a journal some substantial changes are likely:

1. More efficient distribution of journals;
2. Additional services to libraries and end users.

1. More efficient distribution of journals.

At the moment we at Swets have two collection points, one in the U.S. and one in Europe. We have already adapted our system in such a way

that with a small change we can start collecting at our offices in the U.K. Germany or Paris. We cannot avoid this when libraries are going to use this service for their domestic subscriptions.

It is of course ridiculous to ask a U.K.-publisher to send a journal to our office in Holland when the final destination is a U.K. library using the Swets consolidation service. It is a waste of time and money. We should be able to receive such a journal in our office in the U.K. If we can receive, check-in, distribute journals from our U.K.-office it is logical to do that for all journals ordered from this English publisher for our consolidated services.

It is much cheaper to send the journals in bulk by road to Holland than to do so by post. Of course in the beginning we will stumble on the difference of the U.K. price and the foreign price. But, as I said before, I do not think that publishers will get away with this system in the future and that within a short period they will sell at rates which are only different because of the differences in postal rates.

How will this affect publishers? If consolidation is increasing it is not necessary to treat every issue as an item to be distributed separately. A stack of issues can be supplied in bulk to the agent which can be done at a lower cost than sending each issue by mail.

There are already publishers who want to get rid of their subscription fulfilment department and the distribution altogether. They make use of specialized companies for this function. Are agents going to play this role more and more?

For publishers this would have the advantage of concentrating on publishing and selling, which perhaps is not a luxury in a time where so many changes in publishing are forthcoming.

It would have the advantage that only one subscription administration has to be maintained which will make the whole process of distributing journals less expensive.

One can see that with an increase in the use of this service more collection points are going to be needed. It is obvious that money can be saved by circumventing the postal systems by developing bulk deliveries from publishers to agents.

Internal processing at our collection points will be done this year with the use of on-line printed bar-code labels. We have decided to use the SISAC bar-code which will be printed on a label when a journal is checked-in. This label will be stuck on the journal to be used in further processing.

This will make distribution to the customer's shelf within Swets much more efficient and it will also make it easier to check the contents of a shipment against the packing list. Libraries can use the labels with the SISAC bar-code for check-in if required.

2. Additional services.

Now we have reached a level where a substantial number of libraries are getting their journals through a consolidation service, a demand for additional services to be supplied by the agent is developing.

Examples of these services are:

- a. to provide circulation lists on the cover of the journal and provide on line updating systems by which libraries can change the distribution in the computer of the agent without intervention of the staff of the agent;
 - b. to provide labels for issues on which information is printed for further distribution of the journal in the library or company;
 - c. to provide journals with strips to prevent theft;
 - d. all kind of sorting requirements (different libraries, departments, buildings, etc.)
 - e. to process and supply "free" journals to libraries, with the same services attached as above. □
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