

SUBSCRIPTION AGENCIES: FEWER, TOUGHER, MORE AGILE - AND BELEAGUERED

Wim Luijendijk

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For subscription agencies to continue to offer good service to libraries, the need today is for commercial publishers to reverse the decline in their discounts and for society and institutional publishers to start paying their share.

Somehow subscription agencies have to convince individual customers that by paying more they are saving more.

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The first subscription agent in Europe (W H Everett and Son) was founded in 1793. Gustav Stechert founded the first American company (later known as Stechert and Hafner) in 1872. These dates reveal that the business of linking journal publishers with their subscribers has a longer history than most people suspect. The provenance of most subscription agents was either bookselling or publishing. Selling back sets of journals brought some booksellers into subscription work. In the case of EBSCO (Elton B Stephens Company), the founder was a door-to-door magazine salesman in the US in the 1930s. He started his agency with his wife as a partner in 1943.

In the days before the explosion of scientific knowledge caused journals to proliferate, orders for journals were handled like book orders. Subscriptions were received at the premises of the bookseller, who then delivered them to the customers. The first scientific journal appeared in 1644 (*Journal des Sçavants*), but it was not until around 1825 that the number of new journals began to escalate. The 19th century saw the birth and growth of the specialized research journal. It was not long before the scientific community started to complain about the proliferation of journals. The *Illinois Monthly Magazine* complained in 1831:

"This is the golden age of periodicals. Nothing can be done without them. Every man, and every party, that seeks to establish a new theory, or to break down an old one, founds a magazine. Whether we travel or stay at home, a fellow assails you with a prospectus; take refuge in a book-store, and your retreat is cut off by huge piles of periodicals."

These 19th century complainants cannot have imagined what would happen a hundred years later. Vannevar Bush grumbled in the *Atlantic Monthly* in 1945 that

"the summation of human experience is being expanded at a prodigious rate and we are being buried in our own products. Tons of printed material are being dumped upon us every week. In this are thoughts which are important to our progress. Many of them become lost. Many others are repeated over and over."

Meanwhile, catalogues had come to the aid of the libraries. In 1932, the first edition of Faxon's *Librarians Guide* appeared, listing the 1,150 titles for which Faxon were then handling subscriptions. In

the same year, Carolyn Ulrich published her first *Periodicals Directory*, containing about 6,000 titles. The 31st edition of *Ulrich's Periodicals Directory* (1992/93) lists 126,000 titles, while EBSCO's *The Serials Directory* lists 145,620 titles as of February 1993. A major subscription agency today will have about 200,000 active titles in its database out of an estimated 400,000 in print worldwide.

Not only has the number of periodical titles multiplied phenomenally, but also the number of articles. In 1965, the British Library Lending Division (now the British Library Document Supply Centre) had 26,000 journals in stock, representing 850,000 articles published each year - roughly thirty-five articles per journal per year. Today, at a rough estimate, journals offer an average of 100 articles per year. In medical publishing alone, *Excerpta Medica*, which abstracts 3,500 journals, claims that these represent about 350,000 articles annually. Taking all the disciplines together, about 80,000 articles are being published *every day*.

Library budgets have progressively become unable to cope with this growth, particularly of scientific literature. Complaints in the 1930s and '40s centred on diminished access. Now scientific information has become unaffordable. Library budgets are not being funded proportionately to the growth of scientific information, which is estimated at 7% annually.

After World War II, libraries coped with the growth, especially of scientific, technical and medical (STM) information, by spending more of their budgets on journals and less on books. It did not at first matter whether the journal was needed. There was money galore. The only thing that mattered was the size of the journal collection.

The working habits of subscription agencies reflected this growth. They ceased to receive issues at their warehouses. Publishers were requested to send journals directly to libraries. Subscription agencies became high-volume low-margin businesses. They also became actively involved in seeking customers. Sales teams were appointed first in the home markets, then around the world. Not a week goes by nowadays when there is not a library conference somewhere in the world, attended by subscription agencies promoting their services and exchanging ideas with their customers.

Until the 1970s, subscription agencies basically could survive and stay in business on the discounts granted by publishers. Since then, publisher discounts have been going down steadily and service charges have had to be added.

Until recently, European discounts were substantially higher than American. The reason was that in Europe, because of language barriers and small local markets, the professional societies contracted their journals to commercial publishers. In the United States, societies are much larger and publish their own journals. Along with the higher European discounts, prices were also higher. Broadly speaking, in STM publishing, the price of information from US journal publishers in 1992 was about half of that for material emanating from European publishers. European titles were therefore yielding gross profit percentages to subscription agencies about four times those on US titles. This is no longer true, as a result of discount reductions by some major European commercial publishers.

However, the basic differences remain between commercial journal publishers, who are mainly European, and society and institutional publishers, who are mainly American. While editors from commercial companies travel the world in search of the best authors on their specialized subjects, society or institutional publishers have relatively captive catchment areas, both for contributions and sales. Authors contributing to society journals frequently pay to be published. Those contributing to commercial journals are in some cases paid. Some society journals receive revenue from commercial advertising.

STM commercial publishers have always been conscious of the book trade, since many of them are also book publishers. Subscription agencies have been able to support their services to publishers and to libraries only because the tiny or non-existent discounts from societies were balanced by the discounts from commercial publishers. In other words, the institutional and society publishers were getting a free ride. For subscription agencies to continue to offer good service to libraries, the need today is for commercial publishers to reverse the decline in

their discounts and for society and institutional publishers to start paying their share.

Subscription agents have also been caught between the different pricing customs in Europe and the US. In the latter, libraries request, and are charged, the publishers' prices, to which, after averaging discounts, the subscription agent adds a handling charge. In Europe, publishers' prices are marked up, reflecting individual terms from publishers, these mark-ups not being revealed to the customers. Pricing has been further complicated by the fact that STM information today originates in many countries, principally the US, Germany, the Netherlands, Scandinavia, Switzerland and the UK.

The subscription business today needs economies of scale and expert knowledge to survive. This, plus competitive pressure, has reduced the number of subscription agencies dramatically in the past twenty years. In 1972, there were 153 full-service subscription agencies in the US, according to a paper presented by Phil Green of EBSCO at an ALA meeting that year. Since then, well-established companies such as Franklin Square, Turner, Moore-Cottrell, Readmore, McGregor, Stechert-McMillan, Universal Periodicals, Mayfair, Aquinas and Majors have been bought up. The same has happened in Europe to Saarbach, Kunst und Wissen, Wennergren Williams, H K Lewis, Bailey's Bumpus Haldane and Maxwell, and Stobart. The companies now dominating the subscription business have worldwide networks to enable them to be close both to customers and publishers. The five largest subscription agencies today are Faxon in Westwood, Massachusetts; EBSCO in Birmingham, Alabama; Swets in Lisse, the Netherlands; Blackwell in Oxford, England; and Dawson in Folkestone, England, and in France.

Frugality is necessary to keep costs under control and prices competitive. The subscription industry today is service-sensitive, labour-intensive and unusually complex because of the innumerable variables involved in handling tens of thousands of titles from thousands of publishers in dozens of countries. Somehow subscription agencies have to convince individual customers that by paying more they are saving

more, when they threaten to order direct from publishers or from rival companies.

According to a Russian proverb, there are two fools in each market - one charges too much and the other charges too little. The key is to find a fine balance between prices asked and services rendered, which involves an even more subtle balance between the use of cost-effective electronic data processing equipment and the human touch of skilled and qualified personnel.

Subscription agencies' lives have not been made easier by the current criticism of high publishers' prices. Too often the agencies - known by the unsavoury word "vendors" - are blamed for the prices and librarians debate at conferences how best they can fleece the agencies, who, however good the service they render, can only charge the prices set by the publishers.

Subscription agencies are thus beleaguered in a profit squeeze in which they excite less sympathy than they deserve in relation to the services they render. A recent article in a library publication (*Advances in Serials Management*, Volume Four, 1992) even suggested that the library community should know the prices subscription agencies pay to publishers, so that libraries can decide the prices at which the agencies may bill their customers! Subscription agencies have no control over publishers' prices, but depend for their livelihood on margins granted by publishers. When the margins are insufficient, they have no alternative but to add charges to the publishers' prices.

Sadly, there is little recognition of the pivotal role that subscription agencies play both for their customers and for their suppliers. Publishers are mostly paid in advance of publication by the agencies, who also help tremendously in reducing claims for missing issues. Libraries have the economy of consolidated invoicing and payment on credit. In addition to many services, such as claims for non-receipt, agencies offer libraries added values such as:

1. *Personal treatment value*

The management of a good agency has to be involved with customer services. They must be both priests, preaching the gospel of their companies' culture to employees and customers, and bus drivers, visiting

customers worldwide and reporting back to their co-workers.

2. *Enjoyment value*

The marketplace prefers to deal with one company rather than many. Publishers frequently change locations, ownership and personnel.

3. *Advisory value*

Subscription agency staff must become expert advisers on collection development support, reacting to trends and sharing with customers what they learn by visiting the marketplace. A good agent today sees himself as an educator, not just an order-taker.

For the past four or five years, subscription agencies have had to rely for their security on increasing market shares, at the cost of their rivals, because the total number of subscriptions has declined. Some agencies are also diversifying. EBSCO, for example, has moved

into electronic publishing and CD-ROM manufacturing. They have also published, since 1987, their own international serials reference book, *The Serials Directory*.

Libraries during recent years have not only begun to cancel subscriptions, but have become more article-minded than subscription-minded. This reflects the fact that of all articles purchased, 10% or fewer are used extensively. The latest buzzword is CASIAS (Current Alerting Services, Individual Article Supply). All the major subscription agencies have announced that they are becoming involved in individual article supply.

Meanwhile, both the publishers and the librarians are facing up to the emergence of super electronic highways such as the US's National Research Education Network or the UK's Super-Janet. Journals today are a business in flux and the race will be not only to the strong, but to the agile.

Pick a system. Any system.

At EBSCO we think one of the most important decisions you'll make for your library is that of choosing quality subscription service. Equally important is choosing the automated system that best fits your library's needs. When you choose EBSCO for subscription service, we respect your library automation decision and provide an array

of electronic services that complements your system's capabilities. Our services are compatible with most major systems — so you can have superior subscription service *and* your system of choice, too. Call us today to learn more about our independence-orientated library automation services.



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