COMING TO CIRCLE: ISSUES & TRENDS AMONG LIBRARIES AND THE
BUSINESSES THAT SERVE THEM

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ABSTRACT: The economic, political and technological climate of the 1990s is one of rapid, enormous and unprecedented change for libraries. New technologies and formats, rising prices, new user demands, and dwindling support are challenging libraries as never before. Many libraries face additional mandates to downsize, re-engineer, outsource and restructure their operations.

These challenges confront the businesses that serve libraries as well. Every publisher, materials vendor, system vendor and bibliographic utility faces sharp competition for a share of the ebbing library market. Old ways of doing business no longer serve to ensure continued strength in the publishing and distribution system.

In fulfilling our responsibility to reinvest in new and established services, libraries, publishers and vendors must find new ways of working together. How can these groups work together to meet these challenges and secure a healthy future for all? Only by improving our relationship can we achieve the partnership we need to adapt, succeed and grow.

INTRODUCTION

Librarians and the businesses that serve libraries need to begin to truly understand each other's business. Coming to understand each other's work will be a tough job as we tend to view our environment from our own parochial perspectives. Fortunately, the building blocks that will enable us to construct a new kind of relationship are already available. Since the mid-1980s, Yankee Book Peddler's (YBP) leaders have been urging members of this community to strengthen relationships with their primary stakeholders. Going it alone as we move into the 21st century is just not smart business.

These times require that we move away from the traditional (and, in many cases prevailing) arm's length relationship that has for too long characterized the relationship among libraries and the businesses that serve them. We have all been too concerned with our own piece of the puzzle and not how the parts might fit together.

Change has been the one overarching trend for a good many years now. We can enhance our chance to successfully manage change by entering into a dialogue that will help us understand
what we are today, and what we want to be tomorrow — improve quality, link technological
development, and reach individual and shared objectives.

Vendors, libraries, publishers, system vendors and bibliographic utilities are all part of one circle.
We need to come to circle. We can begin the process by understanding each other’s work and
how the parts of the circle best fit together.

This presentation has two basic aims. The first pertains to how what we see dictates how we
think. We can change our myopic view of each other’s environment and mission if we look at the
circle in an organic, holistic way. The second suggests that we can produce positive movement by
creating a clarity of shared issues — by coming to understand each other’s work. We have to
collaborate; but how do we do that is what we have to explore together. To achieve these two aims,
this presentation examines the trends and issues in the library, publishing and book vending
worlds in light of our mutual expectations.

TRENDS IN LIBRARY FUNDING & BUDGETING

One of the most persistent trends in the last ten years has been the declining purchasing power of
libraries. This may not be startling news to most of you, but it is useful to examine the
ramifications of this trend.

How do libraries retain a healthy priority within the university — itself under financial pressure?
Are libraries a declining priority within the academy? The figures, from the Association of
Research Libraries, showing a steady decline in university expenditures devoted to libraries, seem
to say so. In 1982, ARL member libraries reported that they received about 3.9% of university
expenditures. In 1994, that percentage had dropped to under 3.3%. (See figure 1.)

During roughly that same period (1982-1992), college and university expenditures have
skyrocketed — far outpacing inflation or the consumer price index. Not surprisingly, serial costs
increased the most — over 140% — overtaking other expenses only in the last few years. Salaries
lagged behind all other indicators measured. (See figure 2.)

As librarians grapple with these realities, some are adopting business-like approaches. Whether
or not libraries are “businesses” is a hot topic of debate. Of course, a classic concept in business
theory is that of supply and demand. How are supply and demand represented in ARL libraries
from 1986-1994? The demand side, represented by user service expectations of the library
including ILL borrowing and lending, faculty and student use, is up. The supply side, represented
by serial and monograph acquisitions, is down. (See figure 3.) If libraries truly are businesses,
this would represent a harrowing prospect. These kinds of trends would bring almost any
business to its knees.

Although monograph price increases (around 5-6% per year) have not risen as sharply as serial
prices (140% in ten years), the percentage of monographs purchased continues to drop compared
with serials subscriptions. The massive serial cuts of the last few years have only resulted in a
meager 4% drop in subscriptions. Cuts in monograph budgets have gone to support the
acquisition of serials.
The impact on book budgets naturally leads to the question, "How much do libraries spend on books?" According to the Book Industry Study Group, libraries of all types bought $1.7 billion in 1994. Although it's a lot of money, it only represents 10% of total book purchases — $17 billion. One in ten books winds up on a library shelf. General retailers hold the largest share of the book market, accounting for 38% ($6.4 billion) of book expenditures in 1994, followed by consumer sales at $3.3 billion, colleges at $2.8 billion, and schools at $2.5 billion.

Apart from a few publishers that focus solely on the library market, most consider libraries to be, at best, a supplemental market. When thinking of their market, publishers think first of retail, mail order and classroom adoption. Libraries do buy the lion's share of hardbound scholarly books. For example, about 90% of university press titles are bought by libraries. Among library sectors, public libraries buy the most books, with 1994 expenditures of $582 million, followed by academic libraries at $394.6 million, school libraries, which spend $367.6 million and special libraries with purchases of $153.2 million. (See figure 4.) Projections show that libraries will at least retain and probably increase their market share of total book spending through 1999. Indeed, they are up about 1% over two years ago.

COPING WITH THE FUNDING TRENDS

Libraries are coping with the trend in funding through consolidation of vendor services, consolidation of acquisitions through approval plans, consolidation of departmental functions, and consolidation of library systems and networked resources. In the mid-seventies, the Acquisitions mantra was, "Don't put all your eggs in one basket, don't put all your eggs in one basket, and, whatever you do, don't put all your eggs in one basket." The demise of the Richard Abel Co. in 1974 and the resulting chaos in library acquisitions departments dictated that a stable of vendors be used to guard against such a disaster recurring. Now the pendulum has swung the other way. Libraries are using fewer vendors — sometimes just one or two. They want to maximize their clout with their vendors. Libraries want to take advantage of generally higher approval discounts and the value-added services in selection and acquisition they offer.

Traditional departmental functions within libraries are being carefully scrutinized. Overlapping and redundant tasks are being eliminated. Traditional boundaries within the institution are "trespassed" with increasing frequency (Cataloging and Acquisitions is a common example). Many libraries are looking for a single integrated library system vendor to handle all their needs. It is becoming rare to see a library with separate systems for Acquisitions, the OPAC, and Circulation. Libraries are sharing access to networked resources rather than purchasing them individually.

In recent years, a more radical extension of this consolidation trend has appeared. The traditional organization is not simply being amended; it is being utterly shattered through reengineering, redesign, or whatever is the "re" word of the moment. Some libraries are looking to the business world for solutions to their perceived organizational problems. Concepts in opposition to traditional hierarchical organizations, such as teams, are being employed by some libraries. Downsizing, outsourcing, shelf-ready are all watchwords of the moment. Many librarians now find themselves wearing many hats. The underlying presumption in all of these approaches, is that they make the library more efficient and thus more cost effective.

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Will our concern for process overwhelm our focus on results? We often are overly concerned with process (i.e., how things get done and who does them), rather than on the result achieved. We can carry that to extremes. As our level of interaction increases and the perceived risks surge higher, the desire to control both process and results can be irresistibly attractive. Obviously, we’d better be concerned with process. How else can we be assured that we will produce consistently reliable results? Yet process must be balanced against the expected result, and we must avoid unnecessarily complex processes. We should not seek to perpetuate the past’s approaches to solutions, but rather to embrace those more appropriate to the future. Do the method and the performer really matter if the results consistently meet standard?

LIBRARY EXPECTATIONS OF VENDORS

Not too long ago, the relationship between academic libraries and their materials vendors could be fairly described as pretty basic. This traditional relationship of loose collaboration between libraries and book vendors, was characterized by multiple vendors, bids, periodic reviews of the relationship, competition, confrontational negotiation, distant transactions, protective contracts, and a lack of communications. Actual vendor services to libraries consisted of the supply of books and little, if any, processing — and processing was limited chiefly to public libraries. The library expected the right book, in the right box, invoiced correctly and a decent discount. Any number of vendors offered these basic services.

In the late 1980s, the relationship began to change. Some libraries began demanding more from their vendors. At this point, most of the technical services developed were relatively small in scope, and were stand-alone projects costing less than $50,000 for the vendor to implement. All services were free, and the vendor absorbed the cost of development. Library demand for these services actually outpaced many libraries’ ability to take advantage of them. Even now, only about 30% of YBP’s major approval plan libraries load some form of bibliographic record, and only 20% of YBP’s firm orders are placed electronically by libraries. The “basics,” of course, did not disappear. Some vendors managed to climb to this level, while others remained behind.

Now, all bets are off and a new way of doing business together is essential. The scope and cost of new services are far greater than in the recent past. Presently, there is no consensus among librarians on the need for all of these services (sophisticated management reports and seamless system/vendor interface, expanded bibliographic services with enhanced cataloging records, Web access and standardized data exchange, outsourced technical services, shelf ready books, etc.), and no one has resolved who will pay for them. Only a relative handful of vendors can match or approach this level of expectations. Most remain behind at one of the previous levels.

ADDRESSING THE EXPECTATIONS

What is required at this level are strategic alliances, i.e., long-term, mutually beneficial relationships aimed at achieving both library and vendor goals. To create a strategic alliance requires both much more and much less. Much more communication, information sharing, co-developed vision, commitment; and much less formality, bids, competition, hard-nosed negotiation, contracts, restraint in relationships. To successfully meet the new library expectations (again, some libraries), policies and processes must be intertwined into a seamless web of contacts that would blur the boundaries between library and vendor. We need to overcome our fears, innovate, and buck the system. While we have not yet achieved these sorts of strategic
alliances, we have come a long way. It seems that necessity has swept away much of our fears, cast us out where we’ll grasp any piece of flotsam.

The clearest manifestations of today’s relationship are tied to outsourced technical services. Vendor-provided outsourcing brings together Collection Development, Acquisitions, Cataloging, Systems, and a similar number of departments at the vendor’s shop. It also requires that the Library “speak with one voice” with respect to the vendor’s interface with all library departments. Frankly, this is proving to be a huge challenge for many libraries.

Outsourcing can be provided in cooperation with a third party — e.g., OCLC. PromptCat is one of the services emerging to meet the needs. Outsourced technical services, including record creation and book processing, is another. New interfaces between vendor and system vendor saves library work by eliminating double keying.

TRENDS AND ISSUES IN PUBLISHING

If we are to address the expectations of libraries and build more successful relationships, libraries must understand the publishing world — the world that shapes the planning of vendors. The trends include the global market, book exports, small publishing boom, and electronic publishing.

When publishers look at their market, most now think of the entire world. It once made perfect sense to speak of the North American market, or the UK market, or the European market. Today those lines are becoming blurred. It may help to examine some major characteristics of publishing today. The publishing world is sometimes spoken of generically, as if it were a monolithic whole. But in reality, the publishing world is enormously varied. Bowker’s Publishers, Wholesalers and Distributors lists over 50 thousand in the United States alone.

Consider these five broad categories of publishers, each with its own peculiar characteristics: the Commercial Scholarly presses (Greenwood or Westview), the University Presses (Oxford), Sci-Tech Medical (Wiley or Elsevier), the Trade Presses (HarperCollins, Random House, Simon & Schuster), the Association Presses (American Fisheries Society). As librarians, you think about each of these publishers differently. They think about you differently as well. As booksellers, we, too, must look at the varied aspects of the publishing world in different ways.

Comparing the average list price of the University Press with those of the Commercial and Association publishers illustrates how vendors look at different presses. From a bookseller’s point of view, discount is a critical factor. The Commercial presses discount to vendors ranges from 25-49%; 30% is typical for a Sci-Tech press; 40-49% is typical for retail Trade press; for University presses, 20-33% is the discount range; and, Associations range from 0-20% (0% is all too common). (See figure 5.) This is important to libraries as well, because it determines, in large part, the kind of discount the bookseller can pass on to libraries.

The continuing mergers, consolidations and global acquisitions of publishing firms can be disconcerting to librarians and booksellers. A biologist might diagram this significant trend in the publishing industry as ‘the publisher’s food chain.” (See figure 6.) A number of small fish including Scribners and Prentice-Hall were swallowed up by Macmillan and Simon & Schuster respectively. These two large fish were then swallowed by the even bigger fish, Paramount.
Communications. Paramount was then “eaten” by the behemoth Viacom/Blockbuster (everyone’s favorite scholarly imprint). Is Viacom/Blockbuster a book publisher? Yes, but they would be more apt to describe themselves as a global entertainment company that also happens to publish books.

Throughout the 1980s and into the 1990s, we observed something like 100 significant mergers, acquisitions and buyouts per year. Although the trend has slowed somewhat in recent years (the crumbling of the Maxwell empire had a sobering effect on other media giants), the process is certainly not over. For example, in recent months, Disney (a publishing giant in its own right) bought ABC/Cap Cities, and, on a smaller but not insignificant scale, VCH bought Kluwer.

Another example is the publishing giant, the Thomson Corporation. Although Thomson is not an entertainment conglomerate like Viacom/Blockbuster, Disney or Time Warner, its publishing concerns include everything from books to newspapers and professional information. It controls imprints in the U.S., Canada and the UK. Even Thomson’s book publishing concern includes firms as diverse as Gale, Thomas Nelson & Sons (the Bible publisher), Van Nostrand and Routledge. Is Thomson a book publisher? They would say they are a worldwide information company. (See figure 7.)

What are the implications? Obviously, fewer large publishers means less competition. Less competition means higher prices. Large conglomerates don’t talk about “books,” they talk about “product.” Economic censorship can raise its head. It may be more difficult for a first novel or anything the publisher deems economically risky to be published.

A 1931 address given by the late bookseller Sir Basil Blackwell (known as “The Gaffer”) prefigures this issue with a nice turn of phrase:

“The key to the future rests on the results of a continuous census of good bookmen and women whose chief characteristic is ‘Love of literature’ (in the widest sense), because without that the writing and handling of books becomes at best mechanical, at worse cynical, and either quality is pregnant with the seeds of failure.”

Writing in the Key Reporter, the organ of Phi Beta Kappa, Donald Lamm takes the issue into the future:

“Before this decade ends, some book publishing companies that exist within giant conglomerates will be spun off, either to begin a new existence as independents or to serve as prongs of major European publishing cartels into the American market. For although book publishing units generate substantial income for their conglomerate owners, the annual return on investment in book publishing generally falls well below the 15 percent level that races pulses on Wall Street.” He goes on to say that, “The structure of publishing in the 1990s creates a danger for the book within the very industry that produces and disseminates it, in part because the heads of most publishing houses no longer are the driving editorial force in their companies. Management skills take precedence over the generation of book ideas; aside from currying the most highly valued authors, publishing CEOs are left to crunch numbers and deal with their superiors at the corporate level.”
Exports by U.S. publishers offer additional evidence of the globalization of publishing. In the past, U.S. publishers have been slow to look to overseas markets, especially in comparison to publishers in other countries such as the UK. Numbers from the U.S. Department of Commerce (itself periodically marked for downsizing or extinction) show a very healthy increase since 1989. These figures do not just represent the trade exports of the publishing giants, but smaller publishers as well. (See figure 8.) The implication is that, as publishers look to second and third world markets, they may be less apt to be in tune with academic libraries.

While we continue to witness the creation of enormous publishing organizations like Viacom/Blockbuster, Disney/ABC, and Time/Warner, we are also seeing a boom in small publishing. Technologically, it has never been easier to become a publisher (desktop publishing, full text on-line, etc.). The number of organizations in the United States that consider themselves a publisher of one type or another has, figuratively, exploded in recent years. Bowker lists over 57,000. That’s more publishers than new books published every year — around 44,000. Imagine you are a bookseller, part of your job is to keep track of all these “small fish” — including IAMS/LIC. Some may legitimately assert that this is the part of the pond that will eagerly publish that first novel or that controversial monograph. A smaller fish will risk publishing something a larger fish would not. However, they may lack the marketing and distribution capabilities to successfully bring it to the marketplace. Returning for the final time to Donald Lamm’s article in the Key Reporter, he cautions,

“In the 1920s publishing houses were started on the proverbial shoestring. Capital requirements were nominal. Today, what economists call barriers to entry make it hazardous, if not impossible, for new publishing ventures to survive for long. Very high hurdles must be cleared in an industry where the 20 largest companies account for over 50 percent of the total sales volume.”

What about electronic publishing? Will the Net and the Web forever change the way we access information, or are they a Byzantine maze without reliable access, classification or “durability” (e.g., “cobweb sites”). The debate rages on and the jury is still out, but it seems fair to say that the answer today lies somewhere in between. There are more and more full-text databases on-line accessible through the Internet and World Wide Web. Publishers are preparing to offer “on-demand” publishing of paper texts electronically and are talking with vendors about the mechanics of distribution. Copyright and intellectual property rights are red-hot topics of debate. Most faculty still prefer the scholarly monograph or journal for the dissemination of information in support of the still-prevalent “publish or perish” academic dictum. Even new institutions, utterly convinced that the Library Without Walls is achievable, have foundered upon two simple truths: 90% of the material needed to support curriculum and faculty research still resides in paper books and journals, and, electronic resources can be damned expensive. The book is in no danger of extinction; libraries are simply faced with yet another competitor for the shrinking dollar.

TREND IN VENDING BUSINESS

The vending business must respond to the expectations of libraries, the funding trends in the library world, and the trends in the publishing world. Those trends form problematic issues for vendors.
In the last two years, materials vendors have seen a real drop-off in publisher discounts. While STM and University Press publishers discounts remain relatively flat, Trade, Proforma and Peripheral publishers have fallen precipitously. The decline since 1992 of close to 3% may not seem like a lot, but it can be very serious in a low-margin business like book vending. (See figure 9.) While many publishers are trying to cut their discounts to vendors, library discount expectations continue to rise. The average YBP customer discount has risen since 1988. (See figure 10.) Other vendors' figures would probably show a similar rise.

Vendors are now coping with providing shelf-ready services. More staff time must be spent with customers in the selection process to fine tune approval plans. Ordering may be done electronically, but often customers still want print slips as well. The vendor hires more catalogers to produce quality records. Processing options have expanded And, of course, the customer still expects accurate invoicing and reporting. The communication between the vendor and the customer takes place in person, electronically and via data streams — all are now essential.

As libraries put more of their monographic acquisitions into approval plans, the sale composition for vendors shifts. The now typical split between firm orders and approvals of 35% and 65% was just the opposite ten years ago. Consolidation of vendors and consolidation of expenditures into approval plans create a further opportunity, even a need, for closer working partnership between libraries, publishers and vendors.

COPING WITH THE TRENDS

Let's take a closer look at one way the vendor is able to provide the full range of services and technology that libraries expect. Consider a University Press title costing $40.00, a Trade title costing $40.00, and the $20.00 paper edition of the Trade title for comparison. (See figure 11.) The discount to the vendor is the approximate average for each type of press. The discount the vendor gives the library is, in each case, 14%. GPU means “gross profit per unit” — this is the vendor’s bread and butter. There is an extreme variation in GPU among the three titles: $2.40 vs. $10.40 vs. $5.20. When vendors talk “mix” with libraries, it is the GPU they have in mind. A full third of YBP sales are for presses where the vendor receives a very marginal discount from the publisher. In the end, whatever new services vendors develop have to come from this figure — the bottom line.

The Small Publishing Boom translates into a vendor’s day-to-day operations. YBP purchased materials from 7,778 publishers in fiscal year 1995. Although these figures come from internal YBP records, it is a safe assumption that any major vendor’s figures would be similar. Close to 80% of our sales comes from 12% (918) of those publishers. Astonishingly, 25% of our transactions (1953 publishers) were for sales of less than $1,000. Even more amazing, 63% of our transactions (4907 publishers) were for sales of less than $100. There are fixed costs associated with monitoring each publisher’s output and distribution whether we buy hundreds of titles from them, or a single item.

Book vending is a very low margin business. Vendors wage a constant battle with publishers over the discount they afford us. Many publishers are playing hardball with discounts. At the same time, discounts to libraries continue to rise. Here is a financial breakdown for a typical vendor: 80% books, 2% freight, 11% payroll, 3% overhead, 1% taxes, and 3% profit. Note that, in this
case, the vendor has only 1 cent out of every dollar to invest in new technology and customer support. Even in a great year, this would be no more than 2 or 3 cents.

Where does the profit go? We can upgrade the mainframe and LAN providing more reliable access to the network, fewer hang ups, and graphical access to the Web. Using LC MARC cataloging increases our ability to customize cataloging, reduces problems with present tapes and disks, and provides the capability needed to upgrade CIP and TOC in catalog records. The profit develops our capability to handle orders, order acknowledgments, and invoices electronically through EDI (X12). It permits simplified interfaces with library system vendors. Access to the Web provides graphical interface for customers and gives improved access to marketing information and user support information. Involvement in OCLC PromptCat continues YBP's cooperative efforts with OCLC third parties giving increased options to libraries. That profit also helps develop system vendor interfaces, demonstrating cooperative efforts on behalf of customers. This can ultimately reduce the cost of doing business.

The profit is directed towards more efficient book processing. More invoicing options, e.g., itemized billing of processing on same invoice with book, provides better controls to assure quality and modestly increases the productivity of book processing staff. By modifying profiling and data warehousing, accessibility to existing data improves. Eventually this allows the development of a true management information system with customized reporting, e.g., reports tailored for specific customers.

THE BRICK WALL?

So, are vendors, squeezed by both library and publisher expectations, going to run into a brick wall? What about the other businesses that serve libraries? Will they founder on the rock of rising expectations? Or will a new relationship need to be forged to deal with the emerging reality? How are vendors coping with this situation?

The truth is that some vendors cannot cope and others will not in the future. We are already seeing mergers and acquisitions among vendors and others are throwing in the towel. Libraries requiring only "bedrock" services will also have fewer vendors to choose from as we move ahead.

How will those that remain and strive to keep pace with expectations rise to the challenge? These times require that we move away from the traditional arms' length relationship that has for too long characterized the relationship among libraries and the businesses that serve them. We have all been too concerned with our own piece of the puzzle and not how the parts might fit together. As we begin to work more closely together, keep these factors in mind:

- Our increasing economic interdependence
- Our mutual technological dependence
- Our complex and multiple points of interaction (e.g., WWW)
- Increasing knowledge shift from libraries to vendors
- Crumbling pricing models
- Growing mutual risks
- Emergence of a long-range focus
Change has been the one overarching trend for a good many years now. We can enhance our chance to successfully manage change by entering into a dialogue that will enable us to understand what we are today, and what we want to be tomorrow — improve quality, link technological development, and reach individual and share objectives. Partnership is a joining of equals demanding close cooperation with joint rights and responsibilities. While complexity may be a dominant characteristic of our new relationship, complexity does not have to cloud it. Libraries and vendors share a basic concern to provide access to information and knowledge. We must rethink our arm’s length relationship, address the current world of publishing, and figure out how we can develop a new partnership.
A Declining Priority?
Percentage of University Expenditures Devoted to Libraries

Source: Association of Research Libraries 1995
Percentage Change in Selected University Expenditures

Source: Association of Research Libraries 1995
Supply & Demand in ARL Libraries 1986-1994

Source: Assoc. of Research Libraries 180
Sales of Books to Libraries
1989-1999
(In Millions of Dollars)

Source: Book Industry Study Group
## Typical Publisher Profiles

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Issue: The Publisher’s Food Chain

VIACOM/BLOCKBUSTER

PARAMOUNT COMMUNICATIONS

MACMILLAN
• Atheneum
• Free Press
• Scribners
• G.K. Hall
• Macmillan Computer

SIMON & SCHUS
• Pocket Books
• Prentice-Hall
• Allyn & Bacon
• Applause & Lange
The Thomson Corporation

International Thomson Pub. Services
Thomson Professional Publishing

Boyd & Fraser  Research Pubns. Intl.
Brooks/Cole    St. James Press
Clark Boardman South Western
Delmar        Thomas Nelson & Sons
Gale Research Van Nostrand Reinhold
Lawyers Co-Op Pub Wadsworth
PWS-Kent       Warren Gorham Lamont

Blackie & Co.
Chapman & Hall
W. Green & Son
Jane's Info. Group
Routledge
St. James Press
Stevens & Sons
Sweet & Maxwell
Trend: U.S. Book Exports
(In Billions of Dollars)

Source: U.S. Dept. of Commerce
Trend: Publisher Discounts to Vendors
Trend: Higher Average Customer Discounts
The Importance of Numbers and "Mix"

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