The Mergers Panel: Highlights of the Charleston Conference

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Nancy Stanley (Head of the Acquisitions Services Department, Pennsylvania State University Libraries) began her presentation with the analogy that businesses, like serials, have life stages. They are born and they perish, and in between they develop relationships (formal and informal); marry (mergers, partnerships); have children or progeny (subsidiaries); have out of nest experiences (downsizing); and divorce (split). She continued to discuss some basic business policies. She said that businesses thrive by assuring profits and showing growth, creating and preserving a niche and by responding to change. Because we live in a capitalistic society, culture is never enough and competition affects us all. To explain to the audience how mergers affect libraries, Stanley cleverly continued with the *life stages* analogy. First, she said, is the courting stage ("smoke gets in your eyes"). This experience with a vendor changes the library. Courting then becomes a seasoned approach; with RFI's, RFP's, assurances, negotiation and evaluation all being a part of the process. After courting, the library selects its best match. During that time, the library and vendor develop working relationships, fine tune profiles, establish stable relationships, and build unspoken expectations. This investment in the selection process is jeopardized by the announcement of a merger. Suddenly, libraries are put on high alert and are plunged into a new decision making mode. A library could be put in the position of having to do business with an unselected vendor. There are many questions the library now must ask. Is the new company financially sound? Are they offering any new services? Are the same support personnel available? What are the new company's service standards? What delivery systems do they use? With fewer companies and fewer choices due to recent mergers, Stanley offered four possible options for libraries: 1) wait and watch the bottom line, 2) hope for the good will of the company, 3) hope the company meets needs, or 4) return to courting a new venture.

John Secor (President and CEO of Yankee Book Peddler Library Services) was the second speaker. Secor indicated that mergers and acquisitions are mushrooming. He examined worldwide merger growth by providing the audience with some interesting statistics. In 1997, there were $1.7 trillion mergers. In 1998, that amount increased to $2.4 trillion. In the U.S., mergers totaled $528 billion between January-June 1998, and $570 billion between January-June 1999. Secor gave some examples of recent high profile mergers, such as Traveler's and Citicorp, Shell and Texaco, Daimler-Benz and Chrysler, and Exxon and Mobile. He also cited MCI's recent bid to buy Sprint for $115 billion dollars. However, Secor pointed out that there have been more alliances than mergers and acquisitions. According to Andersen Consulting, alliances will represent $25 trillion dollars in value within five years. The average company that had no alliances a decade ago now has in excess of thirty. Secor said that in this economy, it is an obsolete strategy to go it alone. Competition, customer expectations and core competency (sharing cost of research and development) have mandated mergers. He said that the bottom line is that organizations are amalgamating, buying or bonding in order to spark profitable growth.

Debbie DeSousa (Director of Consortia Market Development, Bell & Howell) presented the audience with the global picture. She said that businesses are merging because competition is great and companies need to be globally nimble. Internet pressure and the need to control operations are two other forces at work behind mergers. To remain competitive today and to continue to find ways to add value to products, a company has to either build a product very fast, or buy it. DeSousa then continued to explore the reasons for the recent merger announcements. She said that the politics are ripe for mergers. Businesses must maximize their resources (time and money) as well as focus on customer needs. Also, the free market works on win/win collaborations. Bell & Howell's reasons for merging/acquiring are multifaceted. They want access to a new customer base. They want to fill out their content; take advantage of new technologies and channel distribution. The recent purchase of Chadwyck-Healey provided an excellent complement to Bell & Howell's services while continuing to share similar philosophies. Their recent acquisition of Infonautics Partnership –e-library creates an education portal for them into the K-12 market. DeSousa predicted that the future would bring more mergers and more niche products, but hesitated to guess whether or not these mergers would raise or lower prices.

Robert W. Birch (Director of Sales, Greenwood Press), was the fourth and final speaker on this panel. The title of his presentation was "Mergers: A Cautionary Tale." He began by discussing the traditional stream of information, which is author-publisher-distributor-library-end user. He reminded the audience to keep in mind that everyone contributes to this stream. The publisher invests in the shaping of intellectual property, the distributor simplifies access and the library filters information. However, Birch indicated that the pressures within the stream are leading to consolidation. For example, libraries feel budgetary pressures and subsequently join consortia. Distributors feeling the pressures to deliver the same products at lower prices form mergers. Publishers feel margin pressures and also form mergers. Birch then went on to discuss the benefits of these mergers. In consortia, libraries gain more efficient exposure of products. For distributors, mergers mean combined strengths and improved services. For publishers, collective strength allows risks to be taken. E-commerce can radically change the picture. Distributors can sell directly to end users and publishers can sell directly libraries and end users. Birch cautioned that the bleakest scenario would be an author selling to end-users.