Complete e-mail interview with Library Journal*, Allen Powell, president of the Subscription Services Division of EBSCO Information Services, and Sam Brooks, executive VP of Marketing, Sales, Publisher Relations and Strategic Partnerships for EBSCO Information Services. Powell and Brooks provided combined responses via e-mail on Thursday, Sept. 25.*

***LJ*: The Swets annual report that surfaced last month looked dire. Swets had been unable to meet its covenant requirements for long-term financing, the stock price was .05 euros a share, and a net loss of 51 million euros had caused the company's equity to drop to negative 41 million euros. How does the Swets bankruptcy compare to the divine/RoweCom bankruptcy in 2002/2003? Do you expect the fallout to be comparable?**

Powell and Brooks: The primary difference between the two bankruptcies appears to be timing. RoweCom invoiced the majority of their library customers in the fall of 2002 and then collected payments on many of these invoices. After receiving this money from libraries, payments were not sent to the majority of publishers for 2003 calendar year subscriptions. RoweCom declared bankruptcy in late January 2003 and filed suit against their parent company, Divine, claiming the parent had made fraudulent transfers of over $73 million.

The bottom line was most customers had paid RoweCom and most publishers were not paid. In the case of the Swets bankruptcy, most customers have not paid Swets. This is good news. Although time is very short, librarians still have the opportunity to select another agency with whom to place their orders. The key is librarians need to act quickly in order to avoid disruption in service. Regrettably, not everyone is in this good of a position. We understand a few customers did prepay Swets earlier this year for their 2015 orders and a few others did pay invoices from Swets for 2015. We are working on options to offer should those libraries that prepaid elect to move to EBSCO.

If a library has already submitted payments to Swets, what options/rights do they have if they start to experience gaps in subscriptions or other fulfillment problems?

We recommend that librarians who have paid Swets immediately engage their legal counsel for assistance in ascertaining the status of their payments. Additionally, EBSCO has offered to assist customers by interfacing with publishers to help determine if publishers were paid by Swets for these orders. The best case scenario is the publishers have been paid by Swets for any orders paid to Swets by libraries. In this case, librarians will then simply need to work with a new agent for help in managing service on those orders during 2015. EBSCO will assist customers by doing this at no charge.

If the publishers have not been paid by Swets, the monies paid by libraries likely fall into two categories:

1. Prepayments – payments not made due to an invoice but monies prepaid and put on deposit with Swets
2. Invoice payments – payments made after receiving invoices from Swets.

In the case of prepayments, these monies should have been segregated from normal operating cash. This is what we do at EBSCO. We are not sure if Swets followed this same procedure. Swets sent out a communication indicating they had recently set up a foundation to hold prepayments. If this foundation is not included in the current bankruptcy, then any monies in the foundation could presumably be returned to customers. In the cases where Swets may have collected customer payments of invoices where Swets did not then pay publishers for the invoiced orders, we would anticipate that any residual monies are now tied up in the bankruptcy process. Again, we recommend librarians engage legal counsel for assistance.

How can libraries do a better job investigating library vendors, particularly subscription agents, before handing over large sums of money? And is there anything libraries can do to prevent more situations like RoweCom and Swets?

We think libraries and purchasing departments would benefit from researching the financial stability of all major vendors as part of their buying decision. This research could include a review of key financial ratios such as debt to equity, consulting credit rating resources like D&B (which provide financial ratings on vendors for a nominal fee) and seeking publisher references. EBSCO has the highest possible D&B rating. One of the reasons we are so stable is that we deploy a strict pricing methodology. Our goal is to price our service fairly, ensuring that libraries do not overpay, but also ensuring that we don't take sales that lose money for the company.

When a library chooses their agent based solely on price, that library may, in fact, be contributing to the vendor's instability as the vendor may be taking a loss on the sale. Price-only purchases can impact the level of service in the entire industry. It costs money to provide quality service. While libraries should look at price in the evaluation process, we see it as one factor, along with e-package renewals systems, usage consolidation, usage loading, enhanced linking for e-journals & e-packages, vendor credit ratings, and the overall quality of service provided by the agent.

Publishers issued warnings [during the week of September 22] in droves, asking libraries to send them payments directly or to find another subscription services provider. The ease with which libraries and publishers can now work together—especially with digital content and digital subscriptions—is cited in Swets' annual report as one of the problems facing the company. Is your EBSCO Subscription Services division seeing this trend as well? What role does a subscription services provider play for libraries in the coming decade?

EBSCO's diversity gave us a solid foundation during the 2008/2009 recession that impacted so many library budgets. As noted in the Swets annual report, two trends which impact this area are the provision of content in an online, digital format and the consolidation of publishers. Both trends have enabled publishers to bundle large amounts of content into e-packages or site license offerings. We found that the transition from print journals to e-journals did not impact the volume of business that we processed as libraries order their e-journals via agents. However, when publishers created e-packages, some libraries chose to order some of these e-packages via consortia, or directly from publishers. But, we have seen this practice reversed in a number of cases in recent years when librarians decided to order these through us, so they could experience the many benefits of doing so, including:

- Central management/invoicing of all titles (journals and e-packages) by the same company with singular customer service support for all titles
- Availability of order information in EBSCONET:
  - Titles within e-packages included in EBSCONET reports
  - EBSCONET Analytics to track cost/use, etc.
  - EBSCO E-Package Renewal tools (for applicable publishers)
- SmartLinks+ – increased usage via direct, single-click access to titles ordered via EBSCO from bibliographic records within EBSCO*host* databases and *EBSCO Discovery Service*
- Online querying of orders, ensuring proper amount billed/access provided
- Detailed title-by-title invoicing (vs. single line item) with inclusion of Integrated Library System numbers, and departmental and/or fund code information.

- Integrated Library System invoices

Our online e-package renewal system, which dramatically improved the process of renewing publisher e-packages and site licenses for both publishers and librarians, has been extremely well received. We took a process that previously was error-prone and took weeks or even months and reduced it to a more accurate process taking hours. This has resulted in faster payments to publishers and more accurate invoicing and holding records for libraries. We have also introduced Usage Consolidation and Usage Loading Service, which provide quick and easy downloads of usage data from publisher sites and allow librarians to easily run valuable analyses, such as cost-per-use evaluations, on their e-packages and site licenses.

We have also developed unique improvements in e-journal and e-package linking that go over extremely well with end users. These are called SmartLinks+, and the links work for journals purchased via EBSCO's subscription services division. Any library that buys databases via EBSCO*host* and orders its e-journals and e-packages from EBSCO has likely noticed a big improvement in linking. We link the end user from the bibliographic record in databases like *Academic Search*, *Business Source*, *CINAHL*, *PsycINFO*, etc. to the article-level full text at the publisher site. This also works in *EBSCO Discovery Service.* We track the availability, ownership, and location of full text, providing pre-validated links that appear for articles in the e-packages and e-journals to which a library subscribes. This creates a more effective experience for end users and boosts usage by ensuring better access to e-packages and e-journals.

These are just some examples, as EBSCO continually reviews information workflows and looks for areas where we can add value and adjust our offerings accordingly. As a result, our subscription services offer more value to libraries and publishers than other agents, so things are a bit different for EBSCO.

And, as you mentioned, we are a more diversified company – even with regard to library products. We are partnering with publishers in many areas, including other digital areas such as our EBSCO*host* research databases, EBSCO eBooks , and our newest initiative Flipster Online Digital Editions. We believe that EBSCO offers the best of traditional subscription services, as well as forward-looking products and services that fit with the needs and expectations of our library customers and publisher partners.

Does EBSCO have the capacity to handle a large number of transfers from Swets?

Yes, we have the capacity. With regional offices around the world, we have the scale, global footprint and comprehensiveness to assist customers. We have already established transition teams in each office to coordinate our approach in each region while maintaining the highest level of service to our existing customers during this peak renewal period. In addition to working with local customers, our transition teams have a direct line to our headquarters, which will work directly with publishers to ensure as smooth a transition of orders and payments.

We have already been in contact with many of the top publishers discussing the best approach to handle this transition. Both EBSCO and the publishers have as their main goal to avoid disruption in service to customers and ensure the security of their payments. In order to ensure this, transitions must begin quickly. We have continued to reinvest in our service teams, and as a result, we are confident we are well positioned to assist libraries that may find themselves caught in this unfortunate current turmoil, as long as they act quickly.