

**Museums, Libraries and Archives Council**  
**Better stock, better libraries: transforming library stock procurement**

**Executive summary**

The proposals set out in this report represent a major opportunity for the library service:

- **to innovate** and to transform their approach to buying and managing stock through improvements to procurement, processes, and use of information technology;
  - **to invest** the savings generated through these changes, in better stock and better services to the public; and ultimately
  - **to improve** their services to users and to their local community as a whole.
- The report sets out proposals and an outline business case for a new approach to stock procurement for public libraries. The report has been produced by PricewaterhouseCoopers LLP ('PwC') on behalf of the Museums, Libraries and Archives Council ('MLA'). This executive summary covers a number of key questions:
- What is the scope of this project?
  - What are the key issues in improving stock procurement?
  - What are our proposals for change?
  - What is the business case and what are the risks?
  - What have stakeholders told us?
  - What will happen next?

**Context**

Public libraries are undergoing a period of challenge and change. Local government is facing the opportunities and challenges of the Efficiency Review<sup>1</sup> and the Transforming Government<sup>2</sup> agendas, and also awaiting the Local Government White Paper,<sup>3</sup> the Comprehensive Spending Review 2007,<sup>4</sup> and the report of the Lyons Inquiry.<sup>5</sup> This project is part of the MLA's Framework for the Future<sup>6</sup> action plan to ensure that public libraries in the 21st Century can continue to deliver a service of high value to local communities.

It is critical that both the libraries community and local government seize opportunities to set the agenda and take a lead in transforming services to operate as efficiently and effectively as possible. We believe that these proposals represent such an opportunity. Just as important, we believe that our proposals are sufficiently flexible to respond to changing demands on the service, for example the increasing trend towards procuring on-line material.<sup>7</sup>

This is a report of Phase 2 of a project being undertaken by PricewaterhouseCoopers LLP ('PwC') on behalf of the Museums, Libraries and Archives Council ('MLA'), to support the development of a new model for stock procurement for the public library service.

Our work has been undertaken in accordance with the terms and conditions agreed between ourselves and the MLA on 30th November 2005. We do not accept any duty of care or responsibility to any party other than the MLA.

Any oral comments made in discussions as concerns our reports and letters are not intended to have any greater significance than explanations of matters contained in the final written reports or letters. We shall not be held responsible for oral advice unless we confirm such advice formally in writing.

What is the scope of this project?

The goal of this project is to achieve better library services through better stock procurement, including:

- better availability and more efficient management of stock**, with flexibility to meet local needs;
- freeing up library staff time and resources** from 'back-room' work, to provide additional services to customers; and
- creating the opportunity for **reinvesting the savings made by efficiency improvements**, so that libraries can provide the best possible service to their communities.

Part of the business case for this proposal is about cost reduction and savings potential, but an equally important element is about modernising the commissioning of book stock to improve customer service, in line with parallel changes elsewhere in local government. The library service has an opportunity to be a leader in this area, if reforms to the current system are implemented. Although the scope of our work has focused on the procurement of book stock, we believe that in principle, the proposals set out in this report can be developed to encompass the procurement of other materials, including on-line material, audio-visual, and other new products and services.

What are the key issues in improving stock procurement?

149 library authorities are the accountable bodies responsible for expenditure of approximately £85m per year<sup>8</sup> on purchasing book stock from a number of library suppliers. Some authorities do this jointly through consortia, and others do it independently. Procurement practice varies widely across the library sector. Good practice exists, and has been adopted by some library authorities, but not all.

The key issues include:

- low take-up of simple and standardised processing requirements for book stock; such 'minimum standards' exist, but only around 25% of authorities have adopted these in practice;<sup>9</sup>
- relatively high expenditure on staff and other procurement costs of at least £35m per year, or around 40% of stock spend;<sup>10</sup>
- significant variations in the proportion of procurement costs between authorities, for example variations in staff costs alone of between 6% and 31%;<sup>11</sup>
- stock selection not always linked to local need and user preferences, evidenced by stock quality health check findings;<sup>12</sup>
- an increasingly fragile supply market, in which four suppliers have over 50% of market share and which has seen a number of suppliers 'go under' in recent years;<sup>13</sup>
- significant variations in the discount levels library authorities are able to extract from suppliers, ranging from around 20% to 40%,<sup>14</sup> and typically lower than that offered to retailers of between 44% and 55%.<sup>15</sup>

Our analysis suggests that these problems lie not only with library authorities and the need to adopt more efficient and effective procurement processes, but all the way along the supply chain, in the structure of the current library stock supply market.

Modernisation of existing procurement practice is clearly required. But to maximise the benefits of this change, parallel changes to stock processing, ICT and automation are also needed. This can be summarised in the phrase "to change what you get, you need to change what you ask for".

Transformational change on this scale will therefore require sustained national leadership within the sector and within the local government and supplier communities, if the full benefits are to be realised from such transformation.  
What are the key issues in improving stock procurement?

### **Design principles**

Our analysis of the most effective way to carry out each element of the stock procurement process has led to the development of the following principles:

- Assessment of demand – should be locally driven, since local services are best placed to understand the needs of their communities, and set the policy goals for their service;
- Selection of stock – should be done using the expertise of suppliers or other third parties to ensure that industry knowledge and specialisation is harnessed effectively to identify the best new and ‘refresh’ stock to meet local needs;
- Procurement – should be aggregated through an ‘eMarketplace’, via framework suppliers, to ensure the widest possible competition and lowest prices while minimising the burden of entering into supply contracts;
- Processing & servicing – should be based upon standardised and shared services, since this is a physical activity requiring transactional expertise that can yield scale economies through joint delivery and automation;
- Cataloguing – ideally there should be a single national catalogue to reduce duplication and complexity of ordering, cataloguing, and stock management and analysis; and
- Delivery/receipting – delivery should be through regional ‘hubs’ with the receipting and financial processes automated to the maximum degree, to reduce processing costs still further.

### **Components**

The proposed model consists of four components, driven by the local library service at the centre, as the accountable body for the delivery of the library service, with control over quality and working towards policy outcomes:

- An eMarketplace which allows automatic selection of whichever supplier provides best value (a function of best price, quality and delivery time), and includes real-time visibility of stock and status and automated ordering and financial workflow, triggering delivery of stock to regional processing centres, receipting and payment;

- A small, national, strategic commissioning function, running the eMarketplace and assisting with quality management across suppliers, contracts, and selection;
- ‘Clusters’ of library authorities, interchangeably referred to in this report as regions, working to secure back office efficiencies, and providing bibliographic services including processing and the majority of stock selection services; and
- Individual library authorities responsible for meeting local demand.

The aim is that ‘the whole should be greater than the sum of the parts’, working as one system to support local authorities to improve stock procurement and contribute to better library services.

## **Outline processes**

These components will be linked together by a series of processes as set out in Section 5 of the report. In essence, the process involves:

- Local identification of requirements and policy outcomes. This drives the entire process by using local knowledge to set targets. The local library service will remain in control of the whole process, measuring success primarily by the contribution of stock to meeting their policy targets;
- A regional/national 'hub-and-spoke' selection team to select books to meet the policy requirements of library authorities, and procurement through an eMarketplace to ensure best value purchasing; and
- Books delivered to regional centres, processed and sent to libraries as quickly as possible, scanned and put straight onto the shelf.

This will be supported by analysis tools that allow the quality of purchase decisions to be analysed, not just by breadth and depth of stock and applicability to local needs, but also by stock use.<sup>16</sup> The system will also provide local authorities with real-time visibility of the whole supply chain for assurance, as well as the ability to order requests and other specialist items through the selection teams. Locally-published specialist stock (a very small proportion of total stock; we suggest around 5%) will continue to be procured locally.

What is the business case and what are the risks?

The outline business case set out in Section 6 identifies the following potential savings and required investments to establish the new model. This is based upon a number of assumptions (set out in Annex C) and all figures are indicative at this stage. The headlines include:

- Gross savings per annum from £22million, made up of:
  - the potential for additional discounts of up to 7.5% on current average levels, realising almost £10m in savings on current spend; and
  - reduction on the gross overall cost of stock procurement of at least 35%, or £13m; and

- Between £4.5m and £7m investment up-front to implement the changes, principally in new ICT infrastructure and related costs.

These estimates are based upon conservative assumptions; the actual savings available may be significantly greater than this, and further assessment of the investment costs is also required as part of developing the business case for change. Further work on the costs and savings achievable will be undertaken in Phase 3 of this project.

We have also undertaken a risk analysis of our proposals. These are set out in detail in Section 6. The key risks include:

- maintaining clear accountability for performance within the new arrangements, and the need for clear performance management to mitigate this risk;
- implementing the ICT requirements of the new arrangements, which will require early and close engagement with ICT suppliers and other specialists to pilot new ways of working, and to build upon existing platforms where possible;
- the need for robust process automation to ensure that the benefits of shared bibliographic and other servicing are delivered in practice;

- establishing the regional servicing and distribution arrangements, upon which the new arrangements will depend for their success;
- managing the change associated with the transition to the new arrangements, in particular the implications for staff, given that much of savings potential will be reliant on either redeployment of staff from back to front office functions, or net headcount reductions in back office staff across the library service as a whole; and
- encouraging market entry by new suppliers, which forms a key element of these proposals, and which will require sustained and ongoing engagement with existing and potential suppliers in the next phase of the project.

We will be undertaking further work with MLA on how best to manage these risks during the next phase of the project, alongside additional work on the business case for change.

What are stakeholders saying?

Stakeholder engagement has been a major priority during this project, and has been wide and varied including:

- Chief Librarians and library staff through SCL and MLA;
- The Local Government Association and the Chief Leisure Officers Association;
- current library stock suppliers;
- LMS suppliers;
- publishers and their representative organisations; and
- other interested parties including BDS, Book Industry Communications, Nielsen, Amazon UK, and others.

In summary, there is support for the principles we have set out, but also some key concerns that will need to be addressed. Significant issues being raised by stakeholders include:

- the risks associated with any reduction of competition in the market for library or LMS supply;
- the critical importance of maintaining speed and quality of supply;
- the investment costs required for the proposed model; and
- governance arrangements and the difficulty of agreeing common standards across the library service.

Further detail on stakeholder concerns is set out in Section 7.

The wider involvement of procurement and finance leaders and Chief Executives in local government will be critical going forward, as will continued engagement with the library and supply communities in planning and implementing the changes.

What happens next?

The focus of our work to date has been on analysing the current situation, reviewing the available evidence and discussing the options for change with a range of stakeholders. We have set out in this report a synopsis of our work, as well as what we believe is the right approach to transforming stock procurement.

Given the far-reaching and radical nature of these proposals, it is important that the timescale for implementation is considered in detail, and that 'proof of concept' and piloting activities are undertaken at an early stage.

It is also important that library services and existing consortia and suppliers continue to develop best practice and streamline processes and requirements in order to both improve current arrangements, and facilitate a shift towards the new arrangements.

Going forward, the emphasis of this project will shift to a focus on the practical issues associated with implementing the changes. The key areas of focus will be:

- making recommendations on the governance arrangements for testing and implementation of the proposed changes;
- developing an implementation plan that sets out what needs to happen and by when, and who is responsible for delivery;
- considering in further detail some of the key concerns raised by stakeholders about these proposals; and
- continuing to engage constructively and widely with stakeholders, and broadening the focus of this activity to embrace the wider local government community.

We look forward to continuing to work with all stakeholders to develop these proposals further and to piloting and implementation of these proposals.