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BY CAROL TENOPIR

Who Owns Whom?: Online Systems and Buyouts

"DIALOG PURCHASED for \$353 million by Knight-Ridder"; "Maxwell's Pergamon purchases and attempts to revitalize ORBIT"; "Maxwell buys its third online system (BRS)"—headlines like these have rocked the online community lately.

Since 1986 when Pergamon purchased ORBIT, three of the six commercial online systems most used by libraries and information centers have changed hands. (Six commercial vendors and one government agency dominate the library-information center marketplace, according to Martha E. Williams, president of Information Market Indicators. These are: Mead Data Central, DIALOG, BRS, STN, West Publishing Company, the National Library of Medicine, and ORBIT.) Besides making every online directory inaccurate, what do these buyouts mean to the online professional?

Dialog

Knight-Ridder's purchase of Dialog in July 1988 is seen by many as the most important event in the information industry in 1988 and one of the most significant events of the decade. One reason is that anything that Dialog does is of interest to those in the information community. With its 91,000 subscribers in 86 countries and 320+ databases, Dialog is the largest online information company in the world. It has been the most popular service with libraries for over 16 years. But there are other reasons why the sale is so important.

The high price of over \$350 million even caught most experts by surprise. Early rumors had the asking

price closer to \$200 million; later the unbelievable figure of \$300 million began to be heard. Many companies were rumored to be interested in purchasing Dialog, including Ziff-Davis, Maxwell's Pergamon, Reuters, Elsevier, Dun and Bradstreet, McGraw-Hill, Mead Data Central, Kinokuniya (a large Japanese bookseller/information service), and AT&T. Knight-Ridder was seldom mentioned.

Dialog's total revenues in 1987 were only \$98.1 million with an income of \$9.2 million, so Knight-Ridder obviously believes the information industry has a bright future and they are looking at the long-term picture. The price is seen by some to be the vote of confidence that will give the online industry a needed shot in the arm.

Knight-Ridder is the well-known publisher of many regional newspapers and is not new to the electronic information delivery business. Viewtron, its ill-fated videotext experiment, reportedly lost millions of dollars before it was suspended in 1986.

But Knight-Ridder's Vu-Text service is an ongoing full-text regional newspaper online service with approximately 5500 subscribers. Gateway access between Dialog and Vu-Text (or even some sort of merger) may be established. Dialog, like Vu-Text, will become a part of Knight-Ridder's successful business information systems division.

In October 1988, Knight-Ridder announced it would sell its eight network-affiliated TV stations to raise the money needed to pay for Dialog. A VP at Knight-Ridder explained why the change is good business: "In [1988] our newspaper advertising was up 4.3 percent. Our broadcast revenues, before the sale of the TV stations, were up 6.3 percent. And our business information systems were up 25.9 percent, even before the purchase of Dialog."

James K. Batten, Knight-Ridder president and CEO, said, "The acquisition of Dialog represents a significant increase in Knight-Ridder's commit-

ment to electronic information services. This doubles the size of our rapidly expanding Business Information Services Division."

Knight-Ridder promised they will make no drastic changes immediately at Dialog, and in the half year since the sale this promise has held true. Roger Summit continues to run Dialog, with the staff and offices continuing as before. In October at the Online '88 meeting in New York, David Ray of Knight-Ridder assured everyone that "Dialog will continue to operate autonomously under the leadership of Dr. Summit." Ray said they are "firmly committed to the information industry and their customers." He reaffirmed that Dialog will continue to support a variety of databases, including scientific and technical databases, as well as business.

Some librarians have expressed their fears to me that Knight-Ridder's Dialog might abandon the smaller, less-profitable scholarly databases in favor of big, money-making business databases. This is what Barbara Quint, editor of the *Database Searcher*, calls "cherry-picking." She cautioned that this would be a "major disaster to human history" and librarians especially must guard against this happening. A Dialog spokesperson assures us this will not happen: "We will not allow the service to be driven by one small niche. We will maintain our broad commitment to a wide-ranging information service."

Maxwell-Macmillan-Pergamon-Orbit-Infoline-BRS

Robert Maxwell's Maxwell Communications Corporation (London) bought Macmillan, Inc. (New York), which bought BRS Information Technologies (Latham, N.Y.), which will be merged with Pergamon ORBIT Infoline (Virginia), which runs the ORBIT Search Service (Virginia) and Pergamon Financial Data Services (London). Confused? The simple days of online ownership are gone forever.



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What all of this will mean to most online searchers is that the BRS and ORBIT search services will somehow be merged or at least participate in joint activities. George Vaveris, executive VP of Pergamon Orbit Infoline Inc., told me that studies are now underway to determine how best to combine the services. Decisions should be made sometime after April 1989.

In an earlier interview with Online Inc., James Terragno, president of Pergamon ORBIT Infoline, stated that "the BRS operation will be physically combined with ORBIT's data processing facility within a period of one to two years" (the location of the combined facility yet to be determined) and that eventually the combined system would operate with a single retrieval software.

Vaveris said the new owners of BRS see the two services and their primary markets as "complementary, not in conflict" and they "certainly have no intention of shutting BRS down." ORBIT and BRS have only eight databases in common and each service has several important databases found nowhere else online. BRS is strong in social science and medical databases, ORBIT in scientific/technical and patents. Infoline concentrates on business information, particularly European business. Together they will allow Pergamon ORBIT Infoline to be a major competitor in the online world.

Vaveris reassured me that when the Maxwells originally bought Infoline, they said "we want to be in this business and in this business to stay." To Maxwell, Infoline, ORBIT, and now BRS are "not just portfolio items" but represent a commitment to the electronic information industry. Martha E. Williams, editor of *Online Review*, says the merger will make the new combined service "more competitive" to allow them to challenge Dialog's dominant role in the industry.

Some librarians have expressed concern that the new owners will shortchange BRS's library marketplace in favor of expanding into new end user markets. BRS is one of the most popular online services in academic libraries, especially for its relatively low costs and strengths, in social sciences and research databases. Vaveris says we "will not do anything to disrupt the existing audience base" and "intend to maintain

a low-cost environment."

They have "gained advantages of economies of scale, so we don't have to raise prices" as they would have to if the two systems continued on alone. "We will not abandon anybody," says Viveras, in fact, the "library community will be addressed in particular and we will enhance it. Librarians need not be nervous, we want to hear their ideas." Not only will the present social science databases "be supported, they will be augmented. We absolutely will add more databases."

This is not the first ownership change for BRS. In 1980, after only five years of operation, the U.S. founders of BRS sold the service to the Dutch company Thyssen-Bornemisza, for an estimated \$12 million. No one is saying what Maxwell paid for BRS in 1988.

Potential impacts

No one knows exactly what changes or impacts on information professionals will result from these major acquisitions in the online industry. There undoubtedly will be some changes, even if as promised they do not disrupt normal service to established customers.

One change that is almost certain to occur is an expanded end user marketing effort by both Dialog and Pergamon ORBIT Infoline. Online databases still have not begun to meet their potential in terms of number of users and amount of use—a potential that Maxwell and Knight-Ridder must believe in.

As Dick Kollin, president of Telebase Development Corporation and founder of EasyNet, said: "I don't think anybody would ever pay \$353 million for a library service. Knight-Ridder is going to make a major bid to be the center of electronic information activity to a much larger audience." (For some comments from online leaders see: Mick O'Leary, "DIALOG's New Era," *Online*, November 1988, p. 15-21.)

Increased sales to end user markets should not be seen only as a negative factor by professional searchers. Barbara Quint feels the overall "effect of prolonged exposure with end users is a good effect: good documentation, good interfaces, and good features." Better products and more integrated products may result from which all searchers can benefit.

Another potential impact is on the role of database producer and online vendor. Neither Dialog, BRS, nor ORBIT in the past produced databases to any great extent; they have been in the business of providing access to information that is created and owned by other organizations. Now the distinction between vendor and database producer may be blurred, as large publishing companies own the vendors. Will Knight-Ridder or Macmillan or Pergamon begin producing databases to compete with the databases vended on their services? No one knows as yet, but the potential is there.

Both Knight-Ridder and Pergamon ORBIT Infoline have assured librarians that the existing databases will continue to be supported, but the level of that support is a worry to some. If the concentration is on new services and new markets, especially to the business community, some searchers fear a deterioration in the support of the less used databases.

This could be very subtle, brought about because, as Quint said to me, "people under pressure to turn revenues to a new boss could let quality slide gradually before people notice. Things such as currency of smaller databases could slide unless a lot of professional searchers are monitoring" the situation.

On a more positive note, these larger companies with a commitment to publishing and to new information products offer the potential of some exciting developments in the future. If Macmillan-Pergamon ORBIT Infoline chooses to get into CD-ROM it could create some natural combination databases that would merge indexing/abstracting databases with full texts of journals or books. Knight-Ridder could do the same with its own newspapers and with newspaper indexes.

It is still too early to tell what exact impacts the buyouts will have. All of the services appear to be healthy, the new owners seem committed to the online information industry, and a real growth in the industry may be beginning. Librarians have been assured by all of the companies involved that the library's value in the market is recognized and will be supported. To ensure they don't forget this promise, we should make our needs known and our presence felt, especially at this crucial transition time.

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