

# Introduction to the 2020 Library Technology Industry

Libraries depend on a set of commercial providers to develop and support their core technology products. No library has the resources to, nor the interest in, creating its own software. The work and activities conducted by a library are varied and complex and require the support of sophisticated technology systems. The differing needs of each type of library further add to the complexity of software development. Libraries require specialized technology products created by organizations with a deep understanding of their operational workflows and the services offered to their users.

Given their reliance on acquiring their main technology products from a commercial market, libraries expect a competitive business environment. A healthy industry would offer multiple viable products that vie for selection based on functional capabilities, vendor performance, and price.

The organizations that comprise the library technology industry include a diverse array. The industry includes both for-profit and nonprofit corporations that vary in size from small companies to very large-scale businesses with earnings in the billion-dollar range. Ownership arrangements include companies owned and managed by their founders and others controlled through some type of investment firm.

The vendors offering technology products to libraries face a difficult business environment. Even though the number of libraries may seem vast, the quantity of potential opportunities is limited and even further constrained by libraries' modest budgets and allocations for technology products and services. The library market is not monolithic. Rather it is segmented by size and type. Public, academic, school, and special libraries have increasingly diverged in the ways they serve their constituent communities and accordingly gravitate toward different technology products. Small libraries may not be well served by the complex systems that large institutions require. A limited overall market requiring specialized products

for each subsector presents steep challenges to companies looking for sustainable business opportunities.

The consolidation of the industry through mergers and acquisitions of companies and products stands out as the prevailing theme over the last decade or two. Competitors have converged; some have been absorbed into top-level companies with business interests beyond the technology sector.

Libraries have a great deal at stake in the nature of the technology industry upon which they depend for products and services essential to their organizations. They will be greatly hindered in their missions should there not be adequate technology systems to support their operations and service delivery. Libraries would not be well served by an industry that fails to offer effective products or where the costs of desired products exceed budget realities.

This report takes a close look at the dynamics of the library technology industry and assesses the impact consolidation has made on the products and services available. Aggressive consolidation raises some important questions: Has the number of companies been reduced to the point where competition is not able to moderate pricing? Is the industry able to produce products and services to meet the needs of libraries? Will this trend toward consolidation result in monopolies in each subsector?

The following chapter examines the current state of the library industry. It provides an overview of the organizations involved and documents some of the patterns of consolidation seen over their business histories. Chapter 3 presents a study of the historical competitive trends in play since 1990 based on a new analysis of data representing the products installed in libraries each year during this period. The final chapter brings together some of the observations and suggests some of the possibilities that may be in store for the industry in future years.

This report builds on prior work of the author. He has chronicled the library technology industry as

the editor and primary contributor of *Smart Libraries Newsletter*, published by ALA TechSource. The articles in the newsletter provide extensive details and context about major industry events as they transpire. Likewise, the “Library Systems Report” published annually in *American Libraries* helps document the evolution of the industry, including detailed data provided by the vendors represented. Library Technology Guides, especially the libraries.org directory, represents a unique data set of the sequence of automation

systems used by libraries, which provides a quantitative measure of industry trends.

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