



Smart Libraries™

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Smarter Libraries through Technology: The Power Play Expands

By Marshall Breeding

I used the subtitle “Power Plays” for the 2016 Library Systems Report published in *American Libraries*. In covering a variety of events in the library technology industry, the key theme that jumps out is the competition among the top layer of companies that provide technology or services to libraries. The article highlighted the strategies of EBSCO and ProQuest, which both offer an interwoven

set of products including content offerings, discovery services, library resource management systems, analytical tools for assessing collection impact, and platforms to acquire collection resources. While EBSCO and ProQuest both deal with all types of libraries, both focus somewhat more on academic libraries.

In this issue of *Smart Libraries Newsletter*, our attention turns to Follett Corporation, to which many of the same dynamics apply, but its concentration is PreK-12 schools as well as higher education. Like EBSCO and ProQuest, Follett potentially addresses the entire chain of supply and consumption of information resources in the institutions it serves. Unlike EBSCO and ProQuest, Follett channels its efforts at least as much on the broader administration of educational organizations as on their libraries. Student information systems, wholesale distribution of textbooks and course materials, and the management of campus retail stores and online e-commerce portals reach beyond the limits of library budgets and into the deeper pockets of the institution itself. Earlier phases of involvement in products at the broader institutional

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level can be seen in ProQuest, through Ex Libris' campus business, which offers mobile-oriented content delivery platform for academic campuses.

Follett's dominant market share in library management products for US PreK-12 public schools is unsurpassed among its peers serving other sectors. The recent internal consolidation within the business units of Follett has made it more difficult to make direct comparisons, but in recent years I estimated the Follett Library Software division to have a workforce and revenues at least five times the size of its nearest competitor in the K-12 library software market. Follett had both the insight and the resources to make an early transition into Web-based centralized library automation systems with its Destiny library management system. Some of its competitors, such as Alexandria, are just now making this shift.

The acquisition of Baker & Taylor raises the dominance of Follett Corporation by into an even higher bracket. Not only does this new business increase the revenue of Follett by about \$1 billion annually, it has the potential as a catalyst for further expansion of its product lines. Follett has traditionally confined its business activities to the United States. Baker & Taylor, on the other hand, has a large international footprint and a sales force with a presence in almost all international regions. While the initial press announcements offered no specifics, this acquisition positions Follett for expanding the reach of its content and technology products. Likewise, it increases the reach Baker & Taylor products in the schools sector.

Press announcements mention that Follett Library Services will now report to George Coe, incoming top executive for Baker & Taylor, now responsible for a business unit comprising of Follett School Solutions and Baker & Taylor. This arrangement may well pave the way for increased leverage of the technologies Follett created for schools and Baker & Taylor's for public libraries.

Baker & Taylor is also a player in the public library e-book lending arena with its Axis 360 service. Currently Overdrive dominates the US public library e-book market, though its relationship with public libraries can also be seen as complicated, if not somewhat uncomfortable. Overdrive takes the heat for the business arrangements imposed by publishers. Its technology platform and services are both valued and criticized by public libraries, interested not only in more attractive business terms, but also services that better accentuate their identity and enable them to do a better job of engaging their clientele. These

libraries generally seek more ownership of their digital content and the ability to deliver access to these materials within their own environments rather than sending users Overdrive. In recent years, Overdrive has responded to this interest by creating APIs for its platform. The recent acquisition of Overdrive by Rakuten, an international corporation based in Tokyo, does little to diminish the level of anxiety of public libraries.

The Axis 360 service developed by Baker & Taylor now places Follett in the thick of the competition of e-book lending for public libraries. Follett's previous experience in providing access to licensed digital resources in the K-12 arena should provide mutual synergies relative to this increasingly critical service for public libraries. E-book lending or other forms of digital delivery of content can be seen as just one of the many areas where the technologies, business relationships, and core competencies of the two organizations have the potential

for mutual benefit. While Overdrive's dominance for public library e-lending does not seem to be in jeopardy, it will be interesting keep an eye Axis 360 in this next phase.

The consolidation of companies and products comes with some high-level concerns for libraries. What are the implications when these diverse sets of products are offered under a single corporate umbrella? A closed ecosystem of content acquisition, end-user discovery, and resource management would not be welcomed by libraries. In the consumer arena, companies such as Apple and Amazon work toward almost end-to-end control.

I do not think that the strategic power plays among the top-level library services organizations are working toward such an ecosystem of control. Libraries would have little tolerance for any technology tools that exert a bias in the way that their patrons discover content or in limiting their options in acquiring content for their collections. Rather, I believe that they seek influence and insight. These organizations generally derive more revenue from their content offerings than from library tools for resource management and discovery. None of the companies involved to the extent of my knowledge has crossed the threshold of bias or control. Rather, they aspire to have complementary management and discovery tools. With additional information on internal library workflows and patron discovery preferences generated by these systems, vendors can strengthen their content offerings. Libraries purchase print and electronic resources from a wide variety of providers. Except for very small institutions, it is not likely that a

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public or academic library would build its collections through a single distribution channel. Within such a multi-vendor environment, any additional data or analytical insight regarding use patterns or library acquisition trends can provide benefits to content providers in strengthening their product lines.

The rise of index-based discovery services brings to the fore the presence of broad-based search products that must perform well across diverse content resources, even when the discovery service itself has been developed by an individual content provider. The Open Discovery Initiative is an example of an industry effort to ensure the independence of content providers and these discovery services. But neutrality does not necessarily imply isolation. While offering neutral performance in discovery, these services have the capacity to provide analytical assessment of content products in a way that would help tune their composition and performance. Any such objective data can be useful when it comes time for libraries to renew subscriptions or review their portfolio of content offerings. For companies such as EBSCO and ProQuest, having a

position in the discovery arena brings at least some level of strategic advantage to their content business.

A parallel set of dynamics can apply to staff workflow tools. Content acquisition platforms such as GOBI, which EBSCO acquired from YBP Library Services and MyiLibrary, which ProQuest acquired from Ingram Content Services, aim not to dominate any given organization as exclusive channels of content acquisitions, but to function within a multi-vendor environment. These tools also provide important insight into the internal workflows of libraries as they acquire materials for their collections. Follett may see similar dynamics intertwined among its Destiny Quest discovery environment, its TitleWave content acquisition platform, and its Destiny resource management system.

The parallels of these top-tier companies with involvement in content providers, resource management, and discovery are striking. As the forces toward industry consolidation move forward, the entanglements of these diverse layers of products will only increase. It will be important for libraries to be increasingly aware of these complex dynamics.

Follett Corporation Acquires Baker & Taylor

Follett Corporation, one of the major companies providing products and services to schools and higher educational institutions, has taken its largest expansion step of with the acquisition of Baker & Taylor, one of the oldest and largest providers of content to libraries. This move not only further diversifies Follett's product and services portfolio, but it also extends its presence internationally. Previously almost all of Follett's business has been in the US With customers in more than 120 countries, Baker & Taylor has considerable international reach. This move means more involvement by Follett with public libraries, expanding beyond its previous focus on schools and academic campuses. According to the press announcement, this acquisition increases Follett's annual revenue from \$2.6 billion to \$3.6 billion.

Follett's operations have been divided between two operating divisions, Follett Higher Education, which includes its operations of campus retail outlets, the eFollett.com online retail platform, and a variety of technology products for higher education. Follett School Solutions focuses technologies and services for the PreK–12 sector. Baker & Taylor will be located within Follett Corporation alongside Follett School Solutions.

Acquisition Details

Though fully owned by Follett, Baker & Taylor will continue to operate as a stand-alone business, retaining its brand, products, and workforce. George F. Coe, President and Chief Executive Officer of Baker & Taylor continues and takes a prominent position in the new organization as Follett Group President overseeing a business division comprising Baker & Taylor and Follett School Solutions, reporting to Ray A. Griffith, President and Chief Executive Officer of Follett Corporation.

In recent years Follett has seen internal consolidation of its organization bringing together a more fragmented structure of separate business units. In 2013 Follett consolidated four of its businesses, Follett Software Company, Follett Library Resources, Follett Educational Resources, and Follett International into Follett School Solutions. This group was initially led by Tom Schenck. Schenck retired from Follett in October 2015 and was succeeded by Nader Qaimari as Executive Vice President, Follett Corporation, and General Manager, Follett School Solutions. As part of the organizational changes, Qaimari was promoted from General Manager to President of Follett School Solutions and will now report to Coe.

Financial details of the acquisition of Baker & Taylor have not been publicly disclosed.

Follett Corporate History

Follett traces its beginnings to 1873 from a bookstore opened by Charles M. Barnes in Wheaton Illinois. Barnes sold his interest in this company in 1917 and went on to create a new company, Barnes & Noble. Charles W. Follett became involved with the company in 1901, initially as a temporary worker, which led to a position as a store clerk, and eventually to ownership of the company in 1923. The company has remained under the ownership of the Follett family ever since. The following individuals have served as the chair of Follett's board of directors.

- Charles W. Follett: 1923–1952
- Dwight Follett: 1952–1979
- R.J.R. Follett: 1979–1989
- Richard M. Traut: 1989–1999
- Kenneth J. Hull 1999–2001
- R. Mark Litzsinger: 2001–2011
- Alison O'Hara: 2011–2013
- Steve Waichler (interim)
- Todd Litzsinger: 2014–

Baker & Taylor Ownership History

Baker & Taylor traces its corporate ancestry to 1828 as a book binder and publisher. In 1912 the company shifted from publishing to book distribution. Baker & Taylor has seen a series of ownership arrangements.

- Parents Magazine (1958–1970)
- W.R Grace and Company (1970–1992)
- The Carlyle Group (1992–2003) Acquisition price: \$106 million
- Willis Stein and Partners (July 3, 2003–May 2006). Acquisition price: \$255 million
- Castle Harlin (May 2006–April 2016)

A 2003 *Wall Street Journal* estimated that Baker & Taylor had annual revenue of \$1.2 billion at that time, a bit more than the \$1 billion revenue implied by the current press announcement.

According to a July 4, 2003 article in *Information Today* by Paula Hane, Follett had considered the purchase of Baker and Taylor in 1994.

Baker & Taylor Expands Follett Portfolio

Baker & Taylor brings a variety of products and services into the Follett organization. The company was well established as one of the top providers of content to libraries of many types and in many international regions. Its services are especially popular with public libraries, though it also has a strong presence among academic and other types of libraries. Technology platforms offered by Baker

& Taylor include Title Source 360, used by libraries and retail organizations for selecting and ordering content materials; Axis 360, a digital media lending platform for public libraries that competes with Overdrive and Bibliotheca Cloud Library; and collectionHQ, a tool for librarians to assess collection performance. Baker & Taylor acquired collectionHQ from Glasgow-based Bridgeall Libraries in December 2011.

Baker & Taylor had previously divested its YBP Library Services division to EBSCO Information Services, another sale to a top-level library services company. Baker & Taylor had acquired Blackwell's North American division in 2009.

Latest in a Series of Acquisitions

The acquisition of Baker & Taylor stands by far as the largest acquisition Follett has ever undertaken, but is part of an ongoing strategy of acquiring companies with content or technology products to expand its portfolio and customer base. Other notable acquisitions include:

- April 20, 2016. **Bookmasters**, a company which provides services to publishers and authors related to printing, warehousing, and distribution. This company is a major business partner of Baker & Taylor. Bookmasters was previously a family-owned business.
- March 2016. **Wobo**, a company formerly known as Woody's Books, Inc. providing services to campus bookstores with tools such as BookVolume, for wholesale sourcing books and materials. This acquisition strengthened Follett's wholesale business.
- February 2016. **ClassBook**, a company providing customized online bookstores to private and parochial schools,

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including e-commerce capabilities for print and digital materials.

- April 2015. **Follett** acquired the retail store division of Nebraska Book Company, expanding its operations by more than 200 establishments.
- February 2015. **Advanced-Online**, including technologies related to e-commerce for educational organizations and corporations.
- September 2013. **BetterKnow**, providing technology tools for helping instructors discover and acquire appropriate course materials.

This list of business acquisitions is not meant to be exhaustive, but highlights some of the investments Follett has made to expand and solidify its portfolio of products and services.

Follett's Involvement in Library Technology

Within the library technology industry, Follett Corporation is known for its dominance of the PreK–12 school library sector with its Destiny Library Manager. Library software, however, represents a relatively small part of the company's overall business.

Follett's has been involved with library automation since in the mid-1980s. *Library Systems Newsletter* reported in February 1983 that Follett began distributing a library automation system, developed by Richmond Micro Software, which ran on Apple microcomputers. In January 1984 Follett acquired Library Software Company, a small firm that had created Circulation Plus, a library automation program that operated on personal computers. The following year it formed a new business unit called Follett Library Software led by Chuck Follett. Circulation Plus and Catalog Plus grew to become major competitors in the library automation sector for school and small public libraries. During this era the main model of automation involved individual installations for each school library. Some districts might also have had union catalogs, but circulation and cataloging tended to be implemented on decentralized PC-based systems.

In 2003 Follett launched a new Web-based product called Destiny, oriented to centralized district-wide automation. Since its launch, Follett has gradually converted most of its Circulation Plus and Catalog Plus installations to Destiny and attracted many additional clients to become the dominant automation system for school libraries in the US. Follett's library automation products have seen some adoption outside the US, such as through the American International Schools.

Follett continued to build its business in the library automation sector through acquisition. It acquired the library automation assets of Sagebrush Corporation in July 2006. Sagebrush was Follett's main competitor in providing library software products to K–12 schools. Sagebrush itself had been actively acquiring. Its products and legacy companies included:

- **Library Catalog Company**, in 1997, which was Sagebrush's entry into the library automation industry.
- **Winnebago Spectrum**, in August 1999, developed by Winnebago Software Company. It was one of the most widely used automation systems in school libraries. Winnebago Software Company was founded in 1982 by George B. "Jeb" Griffin.
- **Athena** and **MOLLI**, acquired by Sagebrush from Nichols Advanced Automation in 1998. MOLLI was an early library automation system that ran on personal computers using the MS-DOS operating system. Athena, launched in 1993, was one of the first PC-based library automation systems that ran under Microsoft Windows with a graphical interface. Nichols Advanced Technologies was founded by Bruce and Janice Butler.
- **InfoCentre**, launched by Sagebrush in October 2005. A new generation library automation system, it was created as the successor product for all Sagebrush's library automation products, including MOLLI, Athena, and Winnebago Spectrum.
- **Accent**, a version of Sirsi Unicorn customized for school libraries launched in 2001. This product targeted large municipal school districts, but was not widely adopted. The partnership with Sirsi was dissolved following Sagebrush's acquisition by Follett. Some of the libraries that had purchased Accent shifted to direct support from Sirsi Corporation; others stayed with Follett and migrated to Destiny.

The acquisition of Sagebrush's library automation products did not include Sagebrush Books or its library services business. Sagebrush Books was rebranded as Tandem Library Books and continued to operate following the sale of the library software division, but was acquired by Mackin Library Services in April 2008. This company currently operates as Mackin Educational Resources and is one of Follett's competitors in providing content resources to schools. Follett also partners with Mackin to integrate its content within the Follett resource discovery and acquisition tools.

Follett also made another set of acquisition to expand its presence in school beyond library automation.

- Follett acquired TeraData in August 2006.
- X2 Development Corporation, which created the Aspen Student Information System.

(See “Sagebrush sold to Follett Software Company” *Smart Libraries Newsletter*, September 2006)

According to data provided for the “2016 Library Systems Report” (*American Libraries* May 2016), Follett’s Destiny Library Manager has been acquired by 66,129 libraries. The vast majority (64,090) of installations are in PreK-12 School libraries, with smaller numbers in public libraries (691), or special libraries (1,010). Circulation Plus / Catalog Plus continues to see some use, with 6,546 remaining installations, but only 971 continuing to pay maintenance fees. Circulation Plus saw its peak in 2004 with use in 35,396 libraries; that year Winnebago Spectrum also saw its zenith with installations in 18,534 libraries.

Key Competitors

Follett holds a dominant position in most of the business sectors in which it operates. In the campus store arena, for example, Follett manages 1,200 physical locations and online retail sites for another 1,600 institutions. Barnes & Noble also operates campus stores, with around 750 locations. Follett is a formidable competitor in the PreK–12 school library arena holding a market share of as much as 70 percent of US public school libraries. Smaller competitors such as Alexandria, Book Systems, Mandarin, and Media Flex each hold much smaller portions of this market. A number of large school districts use Library.Solution from The Library Corporation. Follett’s Destiny Library Manager finds much lower levels of use outside of the United States. SoftLink is an example of a major provider of school library automation with a more diverse geographic footprint. Softlink’s original Alice and its current Oliver automation systems are used in school libraries in many international regions, with its Liberty automation system used in corporate and academic libraries.

Technology Industry Context

This move accentuates a broad trend in the library technology industry where technology products and services are provided by large-scale top-level companies with diverse offerings. Though Follett dominates the PreK–12 school technology sector, its library software products comprise a relatively small portion of its overall business activities. Follett’s library systems complement its technology products, such as learning management systems and student information systems for schools and districts and its content platforms.

Follett’s position in the school sector bears similarities with EBSCO Information Services, another top-level company involved with libraries. Both are privately owned by the families of their founders, have revenue in the multiples of billions of dollars, and continue to grow through the acquisition of businesses in addition to organic growth in new customers. ProQuest likewise fits most characteristics of

Its library software products comprise a relatively small portion of its overall business activities.

this pattern. Through the recent acquisition of Ex Libris, it has become the dominant provider of technologies to academic libraries, complementing a diverse set of content products and related business activities. ProQuest’s ownership arrangement is more complex, split between controlling ownership by the founding family and a minority stake by Goldman Sachs. Consolidation in the broad library services industry translates into a broad array of products and services offered through a narrow set of corporate entities.

The library technology industry continues to have its own set of dynamics, but increasingly is also tightly interwoven into the broader library services arena. This does not mean that the library technology industry does not continue in its own right, but that the overlap does seem to be growing. Even companies not directly involved with these giants and focused primarily on technology products for libraries frequently partner with content and discovery providers. Regardless of the organizational structures of their providers, library technology products and services are necessarily part of an ecosystem of content and services and not simply stand-alone software applications.

Innovative Wins Major Academic Library Projects

Innovative Interfaces continues to see success with its Sierra library management platform and has concluded two major contracts for consortia of academic libraries. In April 2016, announcements have been made for the public colleges and universities in Florida and for the academic libraries in Catalonia. These two wins represent a strengthening of Innovative's position on the academic consortia front. In recent years, Ex Libris won most of the very large-scale automation projects for academic libraries. These two contracts interrupt that winning streak, though not necessarily the overall momentum.

Florida Colleges and Universities

The Florida Academic Library Services Cooperative has signed a renewable seven-year contract with Innovative to provide resource management and discovery products from Innovative Interfaces for the 40 public colleges and universities in the state of Florida. The contract also includes EBSCO Discovery Service from Information Services. These institutions will all be migrating from Ex Libris Aleph and other technology components. The press announcement reports that \$1.5 million have been provided by the state legislature for the project. The contract was completed following an Invitation to Negotiate issued to Innovative Interfaces.

The current automation arrangement includes a single Aleph implementation, which serves the community colleges, and another instance of Aleph for each of the universities. The original implementation of Aleph originally provided a dedicated instance for each of the universities, though these have been consolidated in recent years. With the implementation of Sierra, the colleges and universities will be served by a single system. De-duplication records and authority control processing will be provided through Backstage Library Works.

A custom discovery interface, called Mango, has been developed for the universities. The original version of Mango was based on the Endeca PROfind search technology. In 2010 the interface was re-developed to use Apache SOLR instead.

The 28 colleges use Ex Libris Primo as their discovery interface. A union catalog spanning both the colleges and universities is available through the Mango interface.

The contract will include access to almost all the software offered by Innovative Interfaces and to EBSCO Discovery Service as well as hosting services. The Encore Duet package provided includes the Encore discovery interface supplemented by the central index of EBSCO Discovery Service and the Curriculum Builder, also offered by EBSCO Information Services. The institutions will also have access to the SkyRiver bibliographic service from Innovative and the INN-Reach resource sharing environment. The only software products from Innovative not covered in the contract include Polaris, its ILS oriented to public libraries, Virtua, an ILS acquired from VTLS and VITAL, a digital asset management platform also developed by VTLS.

The environment is scheduled to go live in June 2017.

The procurement process was managed by the Florida Academic Library Services Cooperative, associated with the Florida Virtual Campus and the Innovation Institute housed at the University of West Florida.

Universities in Catalonia Select Sierra

The Consortium of Catalanian University Libraries (El Consorci de Biblioteques Universitàries de Catalunya), which includes the libraries of nine of the largest academic institutions in the Catalonia region of Spain, announced in April 2016 that it has selected Innovative's Sierra as its next library management platform. The tender was announced in late 2015.

The consortium has been a long-time Innovative customer, implementing Millennium in about 2007. The SFX OpenURL link resolver and MetaLib federated search environment from Ex Libris were implemented in 2005.

The consortium will implement Sierra and Encore Duet, including access to the central index of EBSCO Discovery Service. Further details of the award have not yet been announced.



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