

Smart Libraries Newsletter

News and Analysis in Library Technology Developments



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Smarter Libraries through Technology

A New Wave of Strategic Acquisitions

By Marshall Breeding

In the past few weeks several companies in the library technology industry have announced ownership changes. This recent wave involves mid-sized companies, including some active mostly outside the United States.

Although the corporate giants naturally attract the most attention, it is important to keep in mind the small and mid-sized companies that also provide technology products to libraries. This tier of companies tends to serve libraries within a limited geographical region and have a more focused portfolio of products. The library technology industry comprises an interesting mix of companies with many different business models, including nonprofits as well as for-profits, ranging in revenue from the billions to the low millions. In addition to the well-known global companies, many others operate within specific countries or regions. Each of these companies contributes to the state of the art of library technologies and plays some role in the competitive dynamics that influence the products and services available to libraries.

The business changes in the mid-level companies also must be seen in the context of what is happening with the large-scale

companies in the industry. The consolidation of Ex Libris and Innovative into ProQuest and the pending acquisition of ProQuest into Clarivate represent as much economic power as all the mid-sized and small companies combined.

On a related note, on August 9, 2021, Clarivate announced that the close of the deal has been delayed due to the need to provide the Federal Trade Commission additional documentation regarding the antitrust review it performs for all large acquisitions. The expected date for the closing was delayed until the end of December 2021, with possible extension through April 2022. Some adjustments in the financing were needed given the scale of the \$5.3 billion transaction.

Five additional ownership changes to library technology companies (Table 1) have been announced subsequent to the massive Clarivate acquisition. Each of these events has its own background story, with a common thread of companies moving toward a stable long-term position. This group of companies each began as entrepreneurial projects to develop and commercialize a particular product or service for libraries. Many companies operate under the ownership and management of their founders for a long period. Insight Informatics began in 1985, and Baratz in 1987.

It is rare for founder-owned businesses to be passed on through family members, though Follett and EBSCO are important examples of family-owned businesses spanning multiple generations.

For companies privately owned by their founders, there will almost always be a transition to new owners. In the library sector, businesses tend to be more influenced by values and customers'

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Table 1. Recent library technology acquisitions

Company	Founded	Founder / Owner	Buyer / status
BiblioLabs	2006	Robert Holt, Mitchell Davis, and Andrew Roskill	LYRASIS (nonprofit)
Kanopy	2008	Olivia Humphrey (owned by L Squared Capital Partners from 2018 through 2021)	OverDrive (owned by KKR)
EnvisionWare	1998	Mike Monk	Volaris / Constellation Software, Inc. (public company)
LIBERO	1985	Sam Pantane	Knosys (public company)
Baratz	1987	Juan Beitia	TSC / Constellation Software, Inc. (public company)

interests than seen in the commercial business-to-business sector. The current investment environment usually provides multiple options for business acquisitions. As the founders of these companies look to sell, they may give higher consideration to buyers most committed to building on their product visions and sustaining relationships with library customers.

All five business changes in this round involved strategic acquisitions by existing businesses able to integrate the products into their product portfolios. These permanent arrangements contrast with that of private equity buy-outs where the company will likely be sold again within a relatively short interval.

This round of business transitions diminishes the number of companies in the library technology industry owned and operated by their founders. Several others remain, including The Library Corporation, Book Systems, Biblionix, ByWater Solutions, PTFS, Soutron Global, and TIND. As noted, companies can operate under the management and ownership of their founders for a long time, often spanning multiple decades. While no further business changes are necessarily expected in the short term, libraries should anticipate eventual changes.

The history of the library technology industry also demonstrates that changes in the ownership status do not necessarily have a negative impact on the products and services involved. Though some have faltered at first, in many cases new owners have proven to be responsible custodians of the products and have retained the satisfaction of their library customers.

In assessing the impact of a business transition, key

concerns focus on whether the new owners show interest in making the necessary investments for ambitious development and improved support and how attuned the organization might be to the needs of its library customers. Those organizations already providing other types of products and services to libraries can be well positioned to take on the development and support of new technology products. As the products of small or mid-sized companies are acquired by large organizations, they may gain access to greater development and support capacity than was present in the incumbent organization.

Libraries are naturally alarmed when the company upon which they rely for critical technology products goes through a business transition. Library companies tend to be stable, with long business cycles, but few will ultimately remain untouched by changes. Optimistically, these changes should not disrupt libraries that rely on the products involved, and a path will be paved for stronger products in the longer term. Based on the recent history of the industry, the disruptions have been minimal—very few products have been discontinued because of mergers and acquisitions, though some have been demoted to legacy status. Legacy products tend to endure even beyond the point where their technology underpinnings are obsolete. Business transitions and industry consolidation have narrowed the field of options as libraries seek new technology solutions, though the products available today may be stronger than in previous times. While a dynamic industry with continual business transitions raises concerns, a static group of companies unchallenged by change would likely mean less progress in the creation of the technologies needed to support libraries as they evolve in their strategic missions.

OverDrive Acquires Kanopy

OverDrive further solidified its position as the largest global provider of digital content to libraries through the acquisition of Kanopy, a company known for its streaming video services

for public and academic libraries. Although OverDrive has been offering video content for over a decade in addition to ebook and audiobooks, the acquisition of Kanopy brings one

of the most popular library-oriented streaming video services into the company's portfolio.

Premium Video Streaming for Libraries

Kanopy has assembled a catalog of over 30,000 films, including a broad range of high-quality films, documentaries, and educational videos. So far in 2021 Kanopy has announced significant new content acquisitions including selected titles from Participant, the Criterion Collection, ARRAY Releasing, Schweitzer Fachinformationen, as well as collections supporting diversity, equity, and inclusion and Asian Pacific heritage. Kanopy offers specialized film collections and is not intended to compete directly with commercial streaming services.

Olivia Humphrey founded Kanopy in Perth, Australia in 2008, initially as a distributor of DVDs for academic libraries. In 2010 the company launched its streaming video service for libraries in Australia. Kanopy successfully expanded into New Zealand and then into Hong Kong and Singapore. By 2012, the company launched its service in the United States. In 2013, Kanopy shifted its headquarters to San Francisco.

Kanopy has been led by Kevin Sayer as its chief executive officer since December 2019. Sayer had previously held executive roles at ProQuest, including as a senior vice president with responsibility for ProQuest Books. Sayer was a cofounder of ebrary, along with Christopher Warnock, an early ebook distributor that ProQuest acquired in January 2011. Humphrey continued with Kanopy following the company's acquisition by L Squared, serving as non-executive director of its board of directors through September 2020.

Kanopy serves customers in public and academic libraries, offering different business models for each. The service is meant to be free to patrons, supported by the subscription fees paid by the libraries. The main business model for public libraries involves variations of pay per view. Kanopy offers academic libraries a demand-driven acquisition model whereby patron viewing of a title triggers its selection into the library's collection. Such on-demand video services can press the limits of library budgets. More recently, Kanopy is working within the bounds of libraries' annual budgets using a combination of what they call Smart PDA and perpetual access models for select titles. Unlimited on-demand access to the complete Kanopy catalog would not likely be an affordable option for most libraries. Library patrons, acclimated to consumer services, have a big appetite for streaming video services. As with other types of digital content, libraries must balance their subscription profile with their budget allocations. One of Kanopy's challenges has been to adapt its business model to deliver high-impact collection packages with affordable pricing.

Under OverDrive, Kanopy may see opportunities beyond its capabilities as a standalone company. It potentially benefits from a broader international presence, with opportunities to expand into other countries and regions. Kanopy gains access to OverDrive's extensive experience with the business and technology of providing digital content to libraries. For OverDrive, the addition of Kanopy strengthens its offerings for streaming video at a time when libraries are expanding their digital offerings. As the viability of DVD lending winds down, we can anticipate increased interest in streaming video services developed for libraries.

Prior to the acquisition, which closed in July 2021, Kanopy was owned by L Squared Capital Partners, a private equity firm that purchased the company in July 2018.

The acquisition of Kanopy by OverDrive brings additional consolidation in the library digital media sector. OverDrive gained its position as the largest library ebook supplier primarily through organic growth over its 30-year history. Prior to Kanopy, it acquired the Australian ebook company Book.ish in 2013. Overdrive has made small investments in K-12, and most recently acquired the library portion of RBmedia. The purchase of RBDigital greatly expanded OverDrive's audiobook and digital magazine offerings.

Kanopy shifts from private equity ownership under L Squared to OverDrive, along with RBmedia. Overdrive's owner, KKR, is a major private equity firm managing over \$367 billion in assets spanning a diverse range of business sectors. OverDrive was part of Tokyo-based Rakuten from March 2015 through May 2020.

OverDrive Background and Update

Steve Potash founded OverDrive in 1986 and has been involved in the development of technologies supporting digital technologies for publishers and other organizations. OverDrive has been a major player in the development of ebook and other digital content delivery technologies and in collaborating with publishers and libraries to create a large-scale ebook and audiobook lending service. Today OverDrive employs over 500 personnel, with its headquarters in Cleveland, OH.

OverDrive is a certified B Corporation (<https://company.overdrive.com/company-profile/overdrive-b-corporation/>), reflecting its performance for social benefit and the environment.

OverDrive launched its ebook lending service for libraries in May 2003, with Cleveland Public Library and King County Library System as early adopters. In 2021, over 75,000 institutional outlets, mostly schools and libraries, subscribe to some form of OverDrive's digital lending service. Overdrive's

Marketplace holds more than 6 million copyrighted titles, including the addition of more than 75,000 new ebooks each month from publisher frontlists.

OverDrive offers multiple content licensing options for libraries, depending on the terms offered by publishers. Most titles are licensed with the number of simultaneous loans limited to the quantity of copies held in the library's OverDrive digital collection. Some license packages (Metered Access) may expire after a specific interval or after a specified number of loans. OverDrive also offers a Cost-per-Circ and pre-packaged bundles of Circs to its growing catalog. Once a copy has passed these thresholds, the library would need to repurchase the license to continue offering access. Although OverDrive enforces these policies on its platforms, the terms are established by the publishers.

In June 2021 the Delaware Department of Education announced it selected OverDrive to provide access to online books for all 144,000 K-12 students in the state.

Multiple times each year OverDrive facilitates an international book club, called the Big Library Read (<https://biglibraryread.com/>), which features a title selected for the program with online discussions and other participatory activities. The current selection, *The Quiet Girl*, by S.F. Kosa, is made available through over 20,000 participating libraries using

Visit Library Technology Guides for a timeline representation of these acquiring organizations' growth through merger and acquisitions.

Overdrive: <https://librarytechnology.org/mergers/overdrive>

Lyrasis: <https://librarytechnology.org/mergers/lyrasis>

Constellation Software, Inc. (CSI): <https://librarytechnology.org/mergers/csi>

OverDrive's platform, including over 90 percent of the public libraries in the United States.

In June 2021, OverDrive stated that for its customers, the costs per checkout were considerably lower from March 2020 through February 2021, a period when libraries were dramatically affected by the COVID-19 pandemic. The lower per-circ costs were due to substantially increased loan volume, focused attention of libraries to manage their ebook collections in response to extraordinary demand, as well as programs such as the Public Library CONNECT service that enables students within a public library's service area to access its collections via the Sora app for K-12 students.

LYRASIS Acquires BiblioLabs

In a move that further strengthens its role as a provider of digital content and technologies, LYRASIS acquired BiblioLabs, which offers the popular BiblioBoard platform. BiblioBoard provides technologies to help libraries publish or digitize local materials and offers a variety of curated collections for distribution through libraries. Acquisition of BiblioLabs fits within the strategy LYRASIS has been developing that culminated in the launch of the Palace Project, featured in the August 2021 issue of *Smart Libraries Newsletter*.

This acquisition brings BiblioLabs, which previously operated as a for-profit company, into a nonprofit business model. LYRASIS had existing partnerships and business relationships with BiblioLabs, as did DPLA.

The specific details of the acquisition were not publicly released, though the announcement mentioned that the deal included a cash payment and a philanthropic contribution by the BiblioLabs owners. BiblioBoard leadership and personnel will become employees of LYRASIS. Nine individuals transferred, forming the BiblioLabs team for LYRASIS.

BiblioLabs products and services provide access to open

access, library-created, and self-published content without many of the restrictions associated with licensed content from commercial publishers. BiblioLabs also provides tools for libraries to create local digital collections.

The BiblioBoard platform will be fully integrated into Palace Project, providing additional options for digital content, including perpetual ownership and multi-user simultaneous access.

Robert Holt, Mitchell Davis, and Andrew Roskill were involved in establishing BiblioLabs in 2006. Robert Holt served as the company's initial chief executive officer. Mitchell Davis served as its chief business officer and now leads this division of LYRASIS as senior director. Andrew Roskill served as its chief business officer through the acquisition in June 2021. In 2000, Roskill, Davis, and Holt co-founded BookSurge, a print-on-demand company that was acquired by Amazon in 2005.

BiblioLabs' initial technology platform, the Global Book Manager Application Suite, provided a comprehensive solution for the creation, distribution, and promotion of content for both print-on-demand and digital distribution. The

BiblioBoard product was initially launched in 2013 as an app for the Apple iPad. BiblioBoard has since become the primary brand for BiblioLabs. This platform has evolved to its current BiblioBoard product suite, which includes the Creator and Pressbooks Public.

BiblioLabs, in partnership with Library Journal, launched the SELF-e initiative in 2014 to provide distribution for

works by independent or self-published authors, which was rebranded as the Indie Author Project in September 2018. IAP Select organizes content into individual curated collections that can be licensed to distributors. Content from the Indie Author Project is available through multiple library lending services, including the DPLA Exchange, Overdrive, bibliotheca cloudLibrary, and Axis 360.

Volaris Group Acquires EnvisionWare

EnvisionWare, one of the major companies providing RFID, self-service, and related products and services to libraries has been acquired by Volaris Group, an operating company of Constellation Software, Inc (CSI). This acquisition is the fifth company involved in library technologies that has been acquired by CSI.

EnvisionWare develops software for managing public computers in libraries, for managing and recovering cost for printing, as well as self-service stations, automated material handling, and other RFID-based technologies. EnvisionWare ranks as the second largest company in the US self-service and automated material handling sector. Bibliotheca, with over 400 employees is the largest, with involvement in a broader range of products and with customers spanning all geographic regions. EnvisionWare is the largest provider of computer reservation and print management software. EnvisionWare's products are used in over 10,000 libraries, mostly within the US.

The company was previously owned by co-founder and Chief Executive Officer Mike Monk, who continues to lead the company under the ownership of Volaris Group. According to Monk, "Selling the EnvisionWare to Volaris Group was attractive since it retains the integrity of the company and protects its customers and employees." EnvisionWare has seen strong growth throughout its business history, with 15–20 percent annual growth in recent years.

EnvisionWare Business History

EnvisionWare was founded in October 1998 by Mike Monk and Rob Walsh as Interface Software. Initially Rob Walsh served as the chief executive officer with Monk as vice president of marketing. The company's early products included the LPT:One print management system and Launch Command, a menu system for public library workstations. In 2001 the company adopted the name EnvisionWare. Mike Monk became chief executive officer of EnvisionWare in 2011 as co-founder Rob Walsh shifted to pursue other interests. EnvisionWare

began developing RFID-based products in about 2006.

EnvisionWare Products

In addition to its print management software, EnvisionWare also developed PC Reservation, a suite of tools managing public access computers in libraries. This product has evolved through multiple versions of technology and is currently offered through a multi-tenant cloud platform as the Cloud-Nine Reservation Service. The product can be used to place reservations not only on public computers, but also for meeting rooms, 3D printers, or any other device or resource.

Other software products developed by EnvisionWare include:

- **Branch Manager.** Communicates alerts from RFID exit gates and other applications to designated staff stations. Library workers can view relevant data from the trigger of the alert, such as the gate location or item type. They can also receive diagnostic alerts from other self-service, copy payment, and ILS statuses.
- **Central Management,** a set of tools to monitor and manage the library's public computers and to view and manage software applications running on them.
- **Library Document Station,** which "enables patrons and staff to copy, email, scan, fax, upload to Google, and send to a smartphone or iPad in just minutes. Staff can also send to both ILLiad and OCLC Article Exchange, as well as charge for scanning, faxing and copying services."
- **eCommerce services** to enable credit card and other payment methods at self-service stations or from staff workstations.
- **OneStop,** a self checkout system that can integrate checkout, return, print and copy payment, reservations, and fine management in a single platform that shares computer and payment hardware
- **EnvisionWare Enterprise Reporter,** a web-based analytics

tool that creates reports and visualizations using data from all EnvisionWare products installed as well as external data sources.

- 24-Hour Library, a free-standing self-service vending library for checkout of popular materials, holds pickup, and automated return.

EnvisionWare partners with manufacturers such as Lyngsoe Systems for sorters and other automated materials handling equipment, integrating its own RFID and software components.

About Constellation Software

Constellation Software, Inc., a publicly traded company based in Toronto, Canada, purchases and operates technology-focused companies. The company, founded in 1995, has acquired over 400 companies and reports annual revenue exceeding \$3 billion annually.

Unlike investment firms, CSI retains the companies it

purchases permanently, placing them within one of its six operating companies. While it guides its portfolio companies through its best practices for business operations, each remains independent with its own executive leadership, development processes, and business infrastructure. Incumbent executives may exit the company when it is acquired by CSI or may continue in a leadership role.

EnvisionWare is the fourth library technology business acquired by Volaris Group. SoftLink, based in Australia, was the first venture for Volaris Group into the library technology industry when it was acquired from a group of stakeholders in September 2013. Volaris Group has since expanded its vertical market for libraries with the acquisition of Brazil-based PrimaSoft Informática in 2018, and BiblioCommons in February 2020. (See “Consolidation Takes a New Form: BiblioCommons Acquired by Constellation Software” *Smart Libraries Newsletter* March 2020). ResourceMate, a library management product oriented to smaller libraries, was acquired by Harris Computer Systems, another CSI operating company, in April 2017.

Baratz Acquired by Total Specific Solutions

Madrid-based Baratz was acquired by Total Specific Solutions, another CSI operating company, in June 2021. Baratz was founded in 1987 by Juan Beitia to develop and commercialize online database systems. The company’s AbsysNet integrated library system has been implemented by most public libraries in Spain and has a presence in other European countries and

in Latin America. Juan Repiso, the general manager for Baratz, continues to lead the company following its acquisition by TCS. Prior to the acquisition, Baratz spun off its other products for archives and document centers into a new company, Albalá Gestión Documental.

LIBERO Acquired by Knosys

Knosys Limited, a Melbourne-based company specializing in software-as-a-service information systems, has acquired the LIBERO library management system. This acquisition represents a change from founder-led ownership and management to become part of a public company with diverse SaaS products. Knosys, while not previously involved in the library technology sector, has extensive experience in delivering technology into the banking, telecommunications, and health sectors.

LIBERO was developed by Insight Informatics, based in Brisbane, Australia, and is used by many public, academic, corporate, and special libraries throughout Australia, the

European Union, the United Arab Emirates and other GCC countries, as well as Mauritius. The system is also used by many libraries in Germany, supported through its distributor LIBERO IS GmbH. A total of 450 library locations have implemented the LIBERO library management system. LIBERO does not have a US presence at this time. However, the acquisition opens up the opportunity for the company to enter and gain a foothold in this market, especially because Knosys brings the necessary management structure and already has personnel in the US.

Insight Informatics was founded in 1985 by Sam Patane, who leads the company as its managing director. At the time

of the acquisition, the company had 17 employees and annual recurring revenue of \$2.2 million Australian.

Details of the Acquisition

Knosys purchased LIBERO for a total of \$5 million, split between \$4 million cash to the owners and an additional \$1 million in Knosys stock. Knosys Limited is a public company, traded on the Australian Securities Exchange (ASX:KNO). The company is led by John Thompson, who has served as its managing director since July 2016. The acquisition is expected to close by the end of August 2021.

Knosys Business Background

Knosys was founded in 2013 to continue development and

commercialize the knowledge management product that was created starting in 2008 in partnership with Australia and New Zealand Banking Group as its initial client and development partner. The company was listed on the Australian Securities Exchange beginning in September 2015.

The company's original product, KnowledgeIQ, is an enterprise level knowledge management solution, used across multiple business sectors including banking, telecommunications, and government agencies. The company expanded its product portfolio in December 2020 with the acquisition of GreenOrbit, and its technology suite for managing content for organizational intranets.

Knosys is a mid-sized company, with about \$8 million (AUS) annual revenue, including that from LIBERO. The company has about 380 institutional clients across its product lines.

Smart Libraries Q&A

Each issue Marshall Breeding responds to questions submitted by readers. Email questions to Patrick Hogan, Managing Editor, at phogan@ala.org.

We live in a time of exponential growth and sharing of data. Younger generations seem more open to share their data behaviors with others, and they also expect customized services based on their needs and preferences. Some say that chatbots along with custom or smart portals can be tools for academic libraries to push, embed, integrate, and customize just-on-time scholarly resources to students. Question: What do you think is the most cost-effective and ethical use of AI-powered services in academic libraries?

Artificial intelligence, especially machine learning and algorithmic responses, do seem to promise interesting services in some library settings. In a purely commercial environment, these technologies make use of vast amounts of personal information gathered from online and in-person user behavior. Yet, despite such aggressive use of data, it does not seem that the AI-driven interfaces in social networks and consumer services are necessarily all that effective. No chatbot that I have ever interacted with has ever led me to a satisfactory solution of a problem. The state of the art in AI-driven advertising networks seems to be to recommend things already purchased. This skepticism informed by consumer services tempers my view of how well these technologies can be used in library services. Any artificial intelligence used the library ecosystem will need to have additional layers to handle user privacy and will especially

need to be designed to eliminate the possibility of bias.

With those caveats, I do see some opportunities to use AI for academic library services. The commercial discovery services, for example, are increasingly using these technologies to help build their indexes and interfaces. The construction of discovery indexes, given their massive scale, has always depended on automated tools to ingest and normalize the ingestion of content resources. Additional layers of automation, including those based on machine learning, can enhance metadata to improve the quality of search results. Increasingly discovery interfaces can rely on clues regarding the search context to guide the researcher toward more relevant results. The April 2017 issue of *Smart Libraries Newsletter* featured Yewno, a discovery service based on machine learning, concept extraction, and other elements of artificial intelligence.

I also anticipate the enhancement of library chat services with capabilities to provide some initial guidance for researchers. This level of automation has been around for a long time to help guide users toward specialized databases or to make contact with the appropriate subject specialist or librarian.

AI-based services can operate at a scale not possible through human operations. Commercial organizations implement these technologies to reduce or eliminate the costs of human expertise in their customer service operations. When implementing these technologies, it seems important to meet user expectations in solving routine questions, but to also leverage the human expertise that is the hallmark of library services.



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