Smart Libraries Newsletter

News and Analysis in Library Technology Developments

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Smarter Libraries through Technology

Investment and Ownership Scenarios in the Library Technology Industry

By Marshall Breeding

One of the constant themes of the library technology industry is consolidation through seemingly endless rounds of mergers and acquisitions. This dynamic has reshaped the industry by creating a few large companies that control an increasing proportion of the technology products and services available to libraries. However, that's not the whole story. Along with the industry giants, many small and mid-sized organizations continue to offer important products and add layers of competition that drive innovation and moderate pricing.

In considering these driving forces of consolidation, it is also important to look at the ownership of the organizations involved. Our industry has an interesting mix of for-profit and nonprofit corporations.

The nonprofits, though governed by boards that in some way represent their members or customers, engage in commercial activities, usually in direct competition with for-profit companies. Nonprofits based in the US are required to file reports with the IRS (Form 990) and make them publicly available. These filings include financial disclosures, executive and board compensation, and other details. In the library technology arena, OCLC, LYRASIS, and Equinox Open Library Initiative hold nonprofit status as 501(c)3 corporations. OCLC has a more complex business status because its European operations are not eligible to be designated as charities and operate as for-profit divisions, wholly owned by the nonprofit parent organization.

Nonprofit organizations can enter into mergers and acquisitions. This newsletter has chronicled the many acquisitions of OCLC, including commercial companies such as Capira Technologies (2020), Relais International (2018), HKA (2013), BOND (2011), Amlib (2008), EZproxy (2008), CONTENTdm (2006), Openly Informatics (2006), Fretwell-Downing Informatics (2005), and other nonprofits such as Research Libraries Group (2007). LYRASIS acquired nonprofit DuraSpace (2010) and for-profit BiblioLabs (2021). Equinox reorganized from a for-profit to nonprofit in 2017.

It's interesting to observe an affinity between open source technologies and nonprofit organizations. LYRASIS and Equinox, for example, deal mostly with commercial services supporting open source technologies. OCLC, in contrast, offers mostly proprietary technologies. For-profits can also participate in the open source services arena, as seen with ByWater Solutions and in EBSCO's initiatives surrounding FOLIO.

The for-profit businesses can be privately owned or publicly traded. Companies traded on a public stock exchange must follow designated practices that give current and potential shareholders objective information on which to purchase or sell shares. In the US, the Securities and Exchange Commission oversees the regulatory framework for public companies. Public companies, for example, must file regular reports regarding their financial activity.

As companies evolve and progress through different ownership arrangements, going public is often considered the final stage. Though public companies tend to be quite large, some stock exchanges cater to smaller companies. Public companies remain subject to mergers and acquisitions. In some cases an

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acquisition can result in a public company returning to private ownership.

There have not been many examples of public companies in the library technology industry. Currently, only one of the library technology companies is public. Agent Information Software, Inc., the parent organization of Auto-Graphics is publicly traded (AIFS). As a small company with around $5 million annual revenue, Auto-Graphics seems quite tiny relative to most public companies.

Several library technology companies have been acquired by the operating businesses of Constellation Software, Inc., a public company based in Toronto. These include those acquired by Volaris: Softlink (2013), PrimaSoft (2019), BiblioCommons (2020), EnvisionWare (2021). CSI operating company Total Specific Solutions acquired Baratz in 2021, and Harris Computing acquired ResourceMate in 2017. Acquisition by CSI can be considered as final status for companies because it has not divested any of the over 400 businesses purchased.

Another big deal involving a public library technology company is looming on the horizon. The proposed acquisition of ProQuest by Clarivate would bring a change of status. ProQuest currently has a complex arrangement with Cambridge Information Group holding majority ownership and the investment firm Atairos as the principal minority investor. CIG is privately owned by the family of Robert N. Snyder. The acquisition of ProQuest has been delayed pending further review by the SEC and is anticipated to close toward the end of 2021, barring complications. A successful completion of the transaction would mean that a significant portion of the library technology sector shifts to a public company, including the technology products and services of ProQuest, Ex Libris, and Innovative Interfaces.

No clear patterns stand out between ownership status and product innovation or quality of customer support.

Privately owned companies, for-profits not publicly traded, fall within a variety of ownership arrangements. In the library technology industry, we see three categories. A dwindling number of companies remain privately owned and managed by company founders. These include The Library Corporation, Biblionix, ByWater Solutions, Book Systems, and Media Flex. Some companies remain under founder ownership for many years, or even decades, though most eventually seek new arrangements to support new business strategies or founder retirement.

Another set of private companies have family ownership. These companies are owned by the descendants of a founder, often multiple generations in the past. Family members hold shares in the company, control its board of directors, and may participate in operations and management. Two family-owned businesses participate in the library technology industry. EBSCO Information Services, part of EBSCO Industries, owned by the descendants of the Stevenson family. Shareholders of Follett Corporation are the descendants of Charles W. Follett, who purchased the company in 1920. Current board and management of Follett Corporation includes fourth and fifth generation family members.

Private equity firms have played a big role in shaping the library technology industry through business acquisitions and mergers. These firms usually purchase companies in their entirety and may acquire multiple companies and merge them. Some of the companies currently under private equity ownership include SirsiDynix, owned by ICV Partners since 2015, Bibliotheca owned by One Equity Partners since 2011, and Civica owned by Partners Group since 2013.

The model of direct private equity ownership seems to be diminishing a bit in the industry. Innovative Interfaces and Ex Libris both transitioned out of their previous private equity ownership arrangements when ProQuest acquired them. As noted above, ProQuest itself seems on track to become part of a public company. Private equity firms usually do not retain their portfolio companies indefinitely. It will be interesting to see what new arrangements take shape as the current private equity investments run their course.

When considering the library technology industry as a whole, no clear patterns stand out between ownership status and product innovation or quality of customer support. The larger companies have greater capacity for development. Businesses like EBSCO and ProQuest, for example, have created sophisticated and interconnected suites of products that libraries seem to appreciate. Before the industry began to consolidate in the early 2000s, a large number of small to mid-sized companies struggled in product development. They created ILS products that were not well differentiated from each other and that evolved relatively slowly. The larger companies that emerged have been able to create new types of technologies that diverge from the previously cast product categories.

Beyond size, the different ownership models have not meant major differences to libraries as customers of their products. Regardless of the specific owners or investors involved, the companies are subject to many of the same pressures. Library customers demand products with ever expanding capability, responsive support, and reasonable pricing. They naturally fear higher pricing as the number of competitive alternatives narrows. On the for-profit side, investors impose financial discipline, require operational efficiency, and demand specific profit margins. Ideally, libraries would like to see all the money paid to their vendors fund additional product development and improved support rather than going toward profits, dividends, debt repayment, and fees. Comparisons between the for-profits and nonprofits do not reveal obvious differences in pricing and product innovation. Looking ahead, it will be important to continue to track the ongoing business and technology trends and to identify any opportunities that libraries may have to guide the industry in directions that deliver appropriate technologies within reasonable costs.

New Ownership for Follett School Solutions

Francisco Partners, a private equity investment firm focused on technology-based businesses, has acquired Follett School Solutions, whose products include the Destiny Library Manager used by most K–12 school libraries in the United States and the Aspen Student Information System. The company is also a major distributor of print and digital content for educational institutions available through its Titlewave ecommerce platform. Follett School Solutions was previously part of Follett Corporation, a family-owned business tracing its roots to 1873 and owned by the descendants of its founder, Charles W. Follett.

Prior to this divestment, annual revenues for Follett Corporation totaled about $3 billion.

Follett Corporation, while divesting its Follett School Solutions division, retains ownership of Baker & Taylor, a major supplier of books and other content to libraries; and Follett Higher Education, which operates college bookstores and virtual storefronts. Reflecting the proportions of the divestment, 1,500 employees were employed by Follett School Solutions out of a total of 9,000 for all of Follett Corporation. Follett School Solutions ranks as one of the largest companies in the library technology sector, with products implemented in over 75,000 schools, but was a relatively small part of Follett Corporation's overall business interests. Prior to this divestment, annual revenues for Follett Corporation totaled about $3 billion.

As part of Follett Corporation, Follett School Solutions was led by Britten Follett, a fifth-generation member of the Follett family and a board member. In February 2019 she was appointed executive vice president of Follett Corporation, with responsibility for its Follett School Solutions. She previously served as vice president for marketing.

With Francisco Partners' acquisition of this business unit, a new company formed, Follett School Solutions, LLC, and a new board of directors will oversee it. Retaining the executive leadership and entire workforce, the company will continue to be headquartered in McHenry, IL. An agreement licensed perpetual use of the Follett brand, and the operating name of the company remains unchanged. This detail seems a bit unusual. In most cases, the company divesting a business unit would not permit use of the primary brand, especially when associated with a family business. Despite the name, Follett School Solutions going forward has no direct involvement with Follett Corporation.

Follett School Solutions will be led by two Chief Executive Officers with separate areas of focus, both reporting to the new board. Britten Follett exits her role for Follett Corporation and will serve as CEO for content. Paul Ilse, an operating partner for Francisco Partners and former CEO for discovery education, was named CEO for technology. Francisco Partners acquired majority ownership of Discovery Education in February 2018.

Follett's Role in K–12 School Library Automation and Educational Technologies

Follett School Solutions was formed in April 2014 when Follett Corporation undertook a major reorganization of its businesses serving the K–12 sector, merging three operating divisions, Follett Educational Services, Follett Library Resources, and Follett Software Company. Each of the incumbent business units had previously operated separately, though with increasing overlap.

Follett has been involved in library automation in the K–12 sector since 1984. In that year the Follett Library Company acquired The Library Software Company, including the Circulation Plus automation system, from its founders Bob Skapura and Joe Ward. In 1985, a new operating division was formed, Follett Software Company, under the leadership of Chuck Follett. He served as president of Follett Software

Company through 1998, when Thomas J. Schenck assumed that role. Chuck Follett was promoted to roles of increasing responsibility, including as chief executive officer of Follett Corporation from 2010–2012. Britten Follett, daughter of Chuck Follett, has extended the leadership of Follett School Solutions to an additional generation.

Circulation Plus prospered as the company's flagship library automation product through the early 2000s. Circulation Plus was originally created for Apple and MS-DOS computers and eventually was offered as a Windows application. By 2002, Circulation Plus and its companion product Catalog Plus were used in over 37,000 libraries.

Follett Software Company launched the web-based Destiny Library Manager in the 2003. As it matured in subsequent years, most of the libraries using its legacy products migrated to Destiny, which has steadily grown to serve over 75,000 libraries. Destiny was designed especially for managing school libraries at the district level, a much more efficient approach than the previous products, which usually were implemented for individual school libraries.

Out of the approximate 100,000 school libraries in the US, about 75,000 use Follett Destiny.

In addition to the ongoing development of Circulation Plus and organic growth of library customers, Follett Software Company expanded its market presence through acquisitions. Follett purchased its chief competitor, consolidating much of this sector and gaining a dominant position in the K–12 school library arena that it has maintained ever since. Follett Software Company acquired the library automation division of Sagebrush Corporation in June 2006. Sagebrush had previously acquired Winnebago Software Company and Nichols Advanced Technologies and had developed the InfoCentre automation system for K–12 school libraries. Sagebrush Corporation was also a major distributor of books to school libraries. That business eventually became part of Mackin Library Services.

The Mergers and Acquisitions of Follett Corporation

For a visual representation of Follett' growth through acquisition since 1980, visit Library Technology Guides: https://librarytechnology.org/mergers/follett

Follett has made other business acquisitions in the K–12 educational technology sector beyond library automation. In October 2010 Follett Software Corporation acquired X2 Development Corporation and its Aspen student information system. Aspen continues to be a successful, though not dominant product in this category, and continues to be marketed, supported, and further developed.

In August 2006 Follett acquired TetraData for its suite of data warehousing and analytics technologies. Although Follett continued to enhance the TetraData suite, it was phased out by about 2012.

Follett acquired NextTier Education and its platform designed to help students apply for post-secondary education programs in December 2018. This acquisition was featured in the January 2019 Issue of *Smart Libraries Newsletter*. Follett discontinued The NextTier platform in 2020. Fishtree, a company that had developed an adaptive learning platform based on machine learning, was acquired by Follett in July 2018. (See *Smart Libraries Newsletter* August 2018). This technology serves as the basis for Follett's new MyDestiny product.

Francisco Partners

Francisco Partners, a major private equity firm with over $25 billion in assets under management, focuses its investments on technology companies spanning many industries, including health care, financial services, and technical infrastructure. Some of its other portfolio companies in the educational technology sector include Renaissance, specializing in learning analytics for PreK–12 schools (acquired in July 2018); Discovery Education, a provider of print and digital textbooks and curriculum materials (majority ownership acquired February 2018); Mystery Science, a provider of K–5 STEM curriculum content (acquired via Discovery Education Oct 2020); Freckly Education (acquired by Renaissance in May 2019); and VitalSource Technologies, acquired from Ingram Content Group in April 2021.

The acquisition of Ex Libris by Francisco Partners In 2006 was an important launch point toward its current position in the library technology industry. The acquisition of Ex Libris by Francisco Partners, along with its follow-on acquisition of Endeavor Information Systems, led to the development of

Primo and Alma. Through a succession of other private equity transitions, Ex Libris became the dominant provider of technology products to academic and research libraries and was ultimately acquired by ProQuest.

Impact on K–12 Libraries

The market share for Destiny among US school libraries is higher than that captured by any other company in the library sector. Out of the approximate 100,000 school libraries in the US, about 75,000 use Follett Destiny. In comparison, ProQuest, counting all its resource management products (Alma, Aleph, Voyager, Sierra), holds a 53% market share among all US academic libraries.

The change of ownership of Follett School Solutions does not result in additional market consolidation. This move does not reduce the number of players in the library technology industry, and it does not narrow the products available.

Francisco Partners states that it does not plan to fold the company into any of its other educational technology business and that the company will operate independently. It may make follow-on acquisitions to strengthen the market position to complement its product offerings in the future. Bringing new business or technology assets to strengthen an acquired company is a common strategy for investment firms. Francisco Partners followed this approach with Ex Libris.

As the dominant provider of library management solutions for K–12 libraries in the US, any change in the business status of Follett School Solutions warrants attention. There are no indications that the business was not generally successful and profitable. Its flagship product Destiny has achieved an impressive customer base in the US K–12 sector and continues to see strong sales, as documented in the annual Library Systems Report. The divestment signals that Follett Corporation was not positioned to take the business forward to its expected potential. The sale to Francisco Partners brings two important factors, investment and expertise. Francisco Partners will be able to infuse additional resources into the company to accelerate its development strategy and to expand its market position. Because it focuses entirely on technology companies, Francisco Partners brings substantial experience in supporting the refinement and execution of product development strategies.

Competitors in the K–12 School Library Market

Follett School Solutions holds the largest portion of the market for K–12 school library technologies in the United States. Other companies offering solutions for these libraries include COMPanion, with its Alexandria integrated library system; LibraryWorld; The Library Corporation, with Library.Solution for Schools; and the open source OPALS ILS, supported by Media Flex. Internationally, a different set of companies and products are used by the school libraries of each country or region. Oliver and Orbit products from Softlink are widely used by schools in Australia, New Zealand, and other countries.

Looking Forward

Its acquisition by Francisco Partners marks a new chapter for Follett School Solutions. Going forward, expected changes might include more aggressive product development strategies, with initial focus on products such as MyDestiny and Destiny Discovery Engage. The new company seems well positioned to explore growth opportunities through marketing its products beyond its established presence in the US and Canada. Other possible moves include tapping into technologies and educational content through other Francisco Partners portfolio companies, such as in learning analytics or additional digital curriculum resources. We can anticipate from Follett School Solutions, as a Francisco Partners company, more ambitious business strategies and faster technical development than can be accomplished through the more conservative business processes typical of large family-owned businesses such as Follett Corporation. While it is a bit unexpected for Follett Corporation to jettison one of its major business divisions, Francisco Partners has a history of strengthening the prospects of companies in the educational technology sector.

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.

YouTube recently changed its terms of service to claim the "Right to Monetize" any content uploaded to the service. The change in November 2020 affected only US users, but YouTube has applied that claim globally as of late May 2021. Effectively, they have granted themselves license to play advertisements before any video they host, regardless of whether the uploader chooses to monetize their content.

Our public library only recently started creating regular video content, and we have no plans to stop. YouTube is still appealing as a lightweight solution for video hosting, but ads on our videos are at odds with our values as a public library and a disservice to our patrons. What are some alternatives to YouTube (free or paid) when it comes to hosting a large and growing collection of library-made videos? And what are their benefits and drawbacks?

Streaming video has become one of the most popular formats for delivering content. It has become incredibly easy and inexpensive to produce videos with reasonable quality. Libraries can produce promotional or instructional videos on a small budget.

The equipment needed to produce quality video ranges from using the built-in capabilities of a smart phone, to mid-level Digital SLR cameras, to professional quality video and sound studios. Video editing software has likewise become readily available. The main ingredient beyond the technical equipment lies in the skill and creativity of the individuals creating the video content.

Digital storage needed to accommodate video files has likewise become quite affordable. In previous times, the multi-gigabyte sized files were challenging to accommodate, but now that multi-terabyte drives cost less than $100 storing even thousands of video files, the cost of digital storage isn't much of an issue.

Video-playback couldn't be easier. It's built into web browsers and the HTML5 standard makes it easy to link to streaming video.

The main challenge today lies in where to host streaming video files to make them easily accessible and discoverable. YouTube, owned by Google, leads other services by far as the most popular source for streaming video. According to Statista, the service claims over 1.86 billion users. YouTube does not charge for individuals or organizations to post non-commercial video content they create. While YouTube offers subscriptions for premium commercial movies and shows, access to user-contributed content remains free.

When a library links to video on YouTube, even its own content, it sends its users to a domain of unconstrained privacy practices.

YouTube can be an enticing platform for libraries to place their videos. Upload is easy, videos are available instantly, and the content is reliably discoverable through search engines. Libraries can set up a channel to make it easy for their users to browse their collection of videos and to view their latest uploads. The library can view statistics on the number of views for each video and other trends.

The key issue with library use of YouTube is its basic business model supported by advertising. YouTube lives within a commercial ecosystem that aggressively extracts personal information from its users for the purpose of personalized ad placement within its own set of web properties and externally to other commercial sites. When a library links to video on YouTube, even its own content, it sends its users to a domain of unconstrained privacy practices. Most libraries have developed privacy policies that state how they will treat personal information within their own environment and are careful to work with content providers that reasonably align with those policies. From the perspective of patron privacy, libraries should be very cautious about how they interact with YouTube and other ad-based commercial services.

The other problem, as you noted, has to do with the how Google may place ads alongside library-provided content. The library has little control over the ad placement, and the ads may imply library support of products or issues inconsistent with library intentions or values.

Google and other ad-based sites provide their services without direct monetary cost, but rather deal in the currency of user data, which is in turn monetized through the revenues paid by advertisers and data brokers. Facebook and other social networks follow the same basic approach. This business model seems inconsistent with most library use.

Libraries might consider a variety of other models for providing access to their video content. Many other commercial services offer free or affordable plans for hosting library-produced video content without the systematic entanglement with the advertising ecosystem. Vimeo, for example, offers a range of plans for individuals or organizations scaled to the quantity of storage needed, number of accounts for managing the content, and streaming bandwidth.

In many cases, libraries will also stream videos through the infrastructure used to deliver their website and related services. This approach takes more technical expertise and may not be as easy for content creators to upload and monitor content.

As with any other technology decision, libraries must make careful choices that balance functional needs, cost, convenience, as well as privacy and security requirements.

Library Technology News

For the latest Library Technology news and product announcements, visit https://librarytechnology.org/news.

Follett Aspen Student Information System partners with MyFlexLearning

Follett School Solutions and Nash Consulting, LLC, announced a partnership to integrate the Follett Aspen Student Information System with Nash Consulting's MyFlexLearning, a flexible scheduling platform. Together, the two systems give schools the benefit of the Aspen master scheduler and the ability to provide personalized daily offerings for students via MyFlexLearning.

Officials from both companies explained that many schools are finding they need to schedule individual student periods on a just-in-time basis—more granularly, frequently and flexible than typical class schedules. Aspen provides powerful master scheduling capabilities for schools to deliver core subjects, while MyFlexLearning enhances this with ad-hoc enrichment and intervention opportunities controlled by the teachers and students.

The integration between Aspen and MyFlexLearning ensures that relevant data is shared securely and daily between the two systems. The integration also leverages Aspen's data configuration capabilities to allow school users and parents to view students' flex time schedules without leaving the Aspen platform.

Boston Library Consortium to implement controlled digital lending for interlibrary loan

The Boston Library Consortium (BLC) will implement controlled digital lending as a mechanism for interlibrary loan among its interested member libraries. In this resource sharing model, items that traditionally would be loaned physically could instead be digitized and lent digitally under controlled conditions.

The BLC has released a new public report, "Consortial CDL: Implementing Controlled Digital Lending as a Mechanism for Interlibrary Loan," so that other libraries and consortia can benefit from the BLC's work.

Controlled digital lending (CDL) enables libraries to lend legally acquired materials in a digital format under conditions that emulate physical lending. With CDL, libraries limit the total number of copies circulating in any format to the number of physical copies they own, maintain regular lending period limits, and utilize digital rights management to prevent copying and redistribution. Under the new plan outlined by the BLC's CDL Working Group, the BLC will work to implement CDL as a mechanism for its consortial interlibrary loan (ILL) activities.

For updates and a link to download the "Consortial CDL" report, visit blc.org/cdl

Springshare announces LibConnect

Springshare unveiled LibConnect, a platform marrying its existing LibCRM product's functionality with fully featured email marketing and engagement capabilities.

Features of LibConnect's email marketing capabilities include: ILS importer to create LibConnect profiles, templates, an editor, image library, and reporting. The email features build on the existing CRM product.

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