

→ Europeana Strategy 2020, Network & Sustainability (draft)

Executive Summary

Under the new financial instrument of the European Union, the [Connecting Europe Facility \(CEF\)](#), Europeana will operate as a Digital Service Infrastructure: a platform that enables the Cultural Heritage Sector to make its content holdings widely discoverable and re-usable so that it benefits all European citizens and fuels the Creative Industries. [Research](#) has indicated that the Socio-Economic Benefit-Cost Ratio for this investment in Europe's knowledge economy is significantly positive: it is estimated to generate value, in particular in the tourism industry, in education and in cost reductions for the cultural sector¹.

What is under consideration in this paper is the long-term sustainability of Europeana: due to severe cuts in the CEF budget, guidelines demand funded initiatives to 'become self-sustainable' after only a couple of years of funding. In practice, this means the CEF acts as 'seed capital' and that Europeana needs to develop significant alternative income streams within a couple of years while remaining true to our mission to enable heritage institutions to make their holdings openly available for re-use. This shift requires us to innovate our business model significantly from an entirely centrally funded EU initiative to a more entrepreneurial and service-centred operation that is firmly embedded in and supported by the Europeana Network.

This paper aims to:

- a. Propose a business model that allows Europeana to become less dependent on central EU funding without losing sight of Europeana's aims and mission.
- b. To agree on the level of EU funding vs alternative funding under the new Strategic Plan.
- c. To finalise the budget for the period 2015-2020.

*** Note: at the time of publishing this paper final no conclusions have been reached in parliament on the notion of 'sustainability' under CEF. This paper should therefore be read as a direction, not as a final outcome.**

¹ Read more about the impact of Europeana in Appendix 1



Business Model

The [business model](#), which defines the value creation process for Europeana, is expected to change from a primarily centrally funded operation that started as a political wish to a distributed service organisation that operates a multi-sided platform. We will therefore first investigate the funding model for 2011-2015 before highlighting the changes that we expect to happen during the course of the new Strategic Plan 2015-2020.

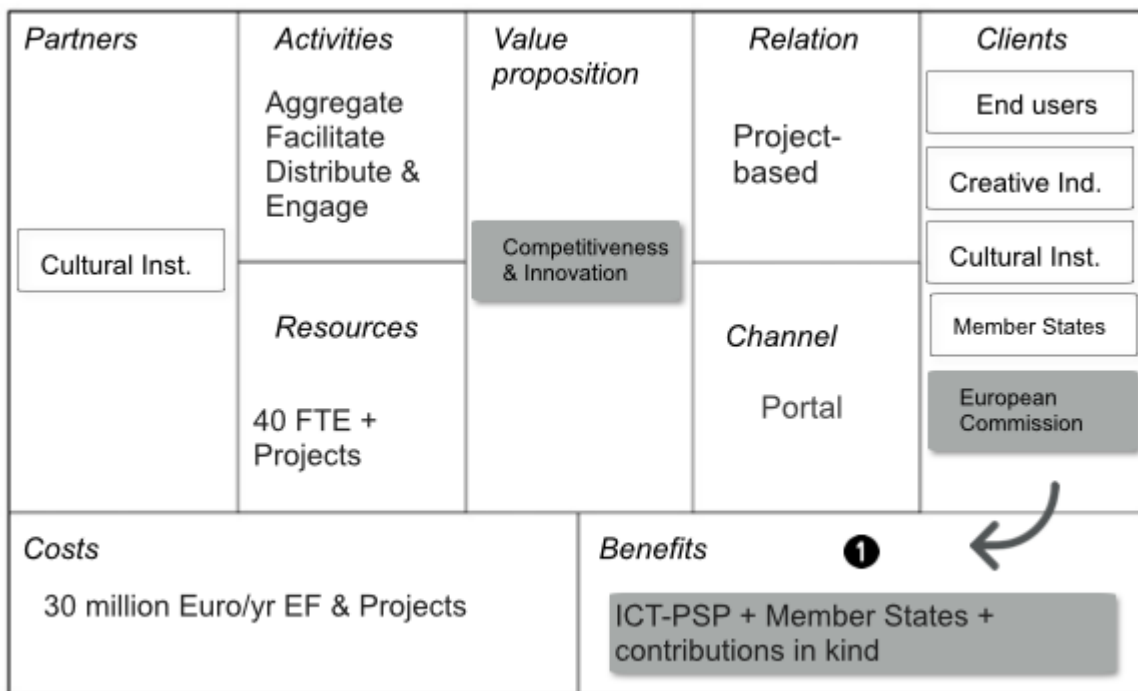


Figure 1: Business Model Europeana 2011-2015

Under the [Strategic Plan 2011-2015](#) Europeana was funded through the [ICT-PSP Competitiveness and Innovation programme](#) to the level of around €30 million a year. The Europeana Foundation ran the projects Europeana Version 1, 2 and 3 that provided the central service (aggregation, facilitation, distribution and engagement). On average €25 million a year was made available for project partners across the Member States to deliver components that made the overall service better. The overall aim of the programme was ‘to stimulate a wider uptake of innovative ICT based services and the exploitation of digital content across Europe by citizens, governments and businesses, in particular SMEs.’

This is exactly what the projects have delivered: a thriving ‘best practice network’ of over 2,500 contributing institutions who made over 30 million highly structured data objects available as [Public Domain marked material \(CC0\)](#), enabling the widest possible re-use of that data by end-users, member states and the Creative Industries. Every Member State in Europe is represented in the repository. The Member States² also contributed significantly to Europeana financially by supporting their institutions and by making funds available to the Europeana Foundation

² via their Ministries of Culture & Education
Europeana Strategy 2015-2020 – Sustainability – Draft



(€3.5 million from 2008-2013) to support participation in projects (matching funding) and to cover office overheads that could not be covered by the projects.

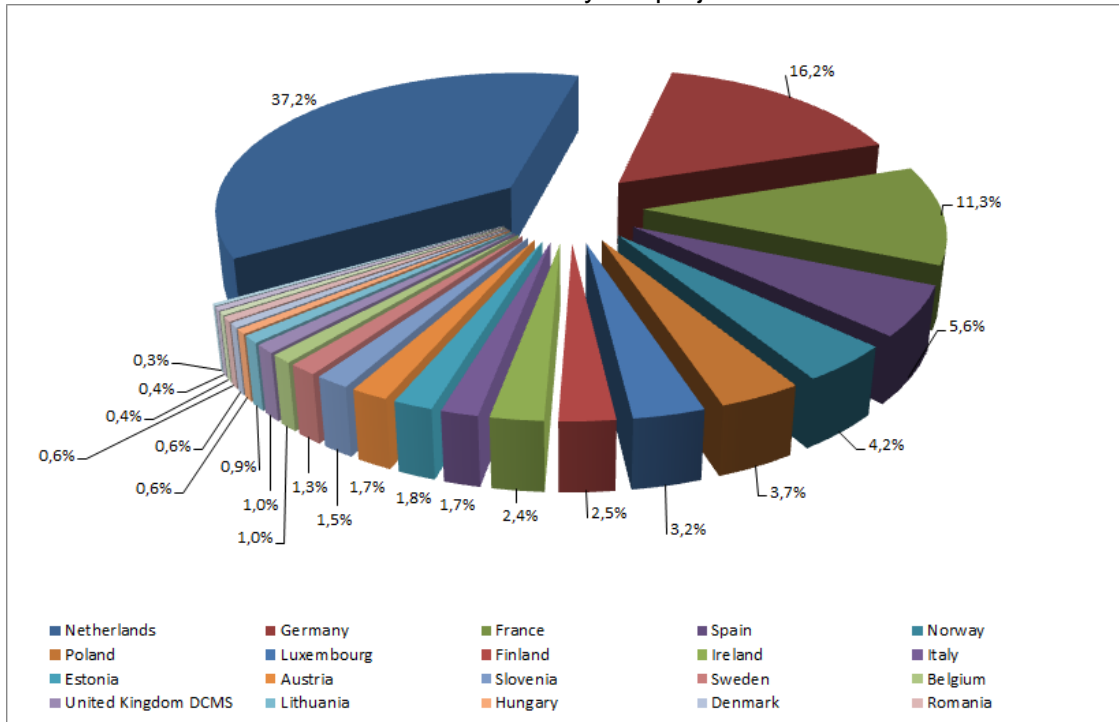


Figure 2: Overview Contributions Member States 2008-2013

Under the new multi-annual framework of the European Union, Europeana will be funded through the [Connecting Europe Facility](#) (CEF). The CEF should be a key instrument to promote growth, jobs and competitiveness through targeted infrastructure investment at European level. It will support the development of high-performing, sustainable and efficiently interconnected trans-European networks in the fields of transport, energy and digital services. Europeana is therefore accepted to be an important pan-European infrastructure with the potential to significantly contribute to fast growing parts of our knowledge economy³ such as the Creative Industry, currently representing 3.3% of the European GDP.

[Cost-Benefit analyses](#) have shown that Europeana is expected to be able to contribute to this aim on several levels: making our cultural heritage openly available to *all* citizens will enable us to contribute to a society built on shared principles and to deepen our understanding of ourselves and other cultures (social and cultural impact). By establishing connections to Creative Industries we will be able to generate new business and new jobs and to lower costs for participating cultural institutions (economic impact). By doing this together with our Network Partners we will be able to set new standards and to negotiate powerful ways to unlock our culture, which will result in a strong, innovative and influential Cultural Sector⁴.

³ “Le secteur culturel représente l’un des atouts maîtres de l’Europe dans une économie mondialisée : avec 3,3% du PIB européens et 6,7 millions d’emplois à l’échelle du continent, il est l’un des secteurs d’avenir d’une économie fondée sur l’innovation et la créativité. Les productions culturelles européennes sont diffusées dans le monde entier et constituent un facteur d’influence majeur pour notre continent.” (Forum de Chaillot <http://theatre-chaillot.fr/forum-de-chaillot-avenir-de-la-culture-avenir-de-l%E2%80%99europe>)

⁴ Read more about this in Appendix 1





However, during the negotiations on the multi-annual framework, the CEF budget has been very significantly reduced from a proposed €9 billion to under €1 billion for the duration of the programme. This has had a significant effect on the 'structural' funding available for initiatives such as Europeana. All funded initiatives are now expected to be funded under CEF for only a few years, after which they are expected to become '[self-sustainable](#)'. Europeana will therefore need to be transformed to a multi-sided platform which will use the CEF funding as seed capital in order to develop a self-sustainable service.

'[Multi-sided platform](#) is one of the prevailing business model patterns of the internet economy. Multi-sided platform brings together two or more distinct but interdependent groups of customers. Such platforms are of value to one group of customers only if the other groups of customers are also present. The platform creates value by facilitating interactions between the different groups. A good example of such a platform is [Airbnb](#), which bring together people who are looking for a place to stay and people with apartments for rent.'

Europeana is therefore positioned as a platform for cultural heritage, a cultural innovator that brings together people and businesses who want to view, use and re-use heritage, and people and organisations that have heritage to share.

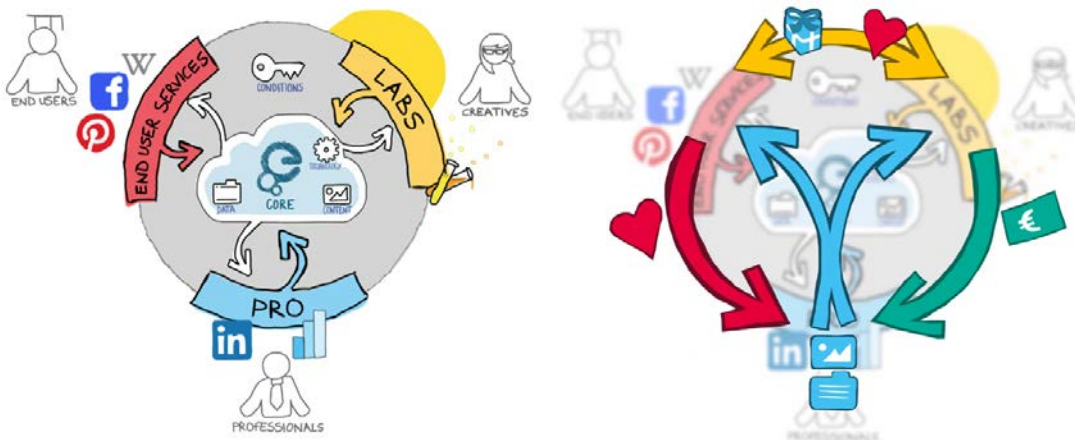


Figure 3: Europeana Platform and the Flow of Value



Based on this model we can identify four client groups, each interrelated and dependent on each other, that will contribute to Europeana's Sustainability Plan:

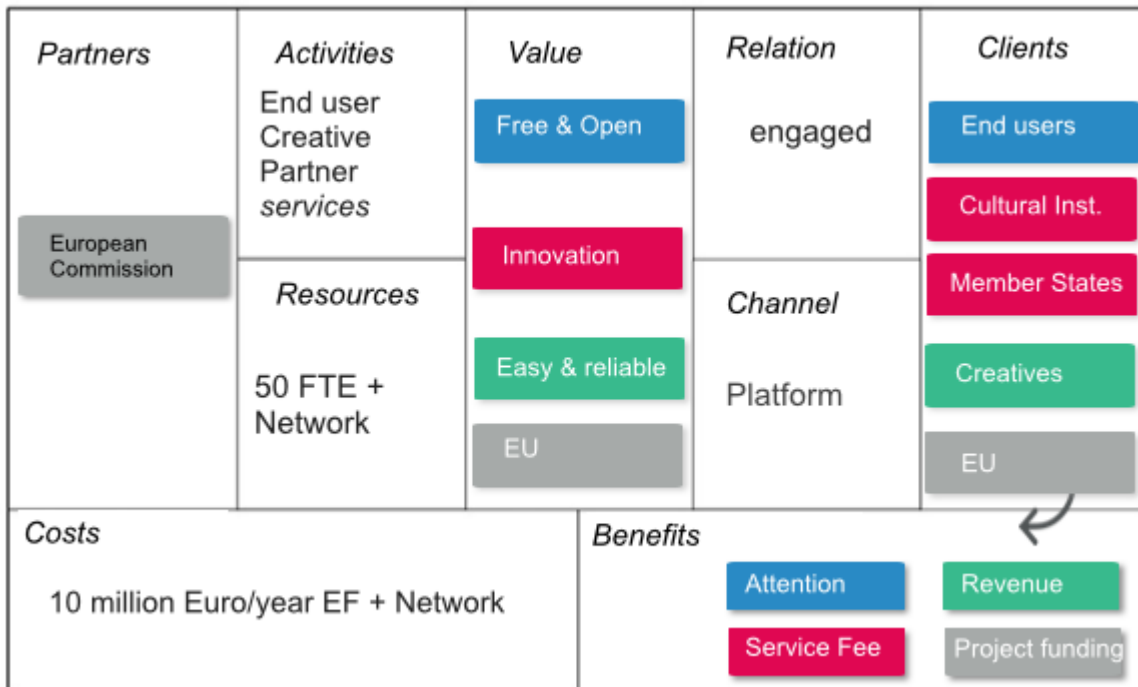


Figure 4: New Business Model Europeana in 2015-2020

End-users

When the Europeana project was launched in 2008, Jose Manuel Barroso, President of the European Union, was very clear about the ambition:

'[...] I believe that Europeana has the potential to change the way people see European culture. It will make it easier for our citizens to appreciate their own past, but also to become more aware of their common European identity. Anyone in the world with an interest in literature, art, politics, science, history, architecture, music or cinema will be able to see the important contributions that Europe has made in all these fields, without even leaving their home.'

Europeana has at its very core ambition to **make our culture freely available for everyone** with a desire to learn about or share their culture. We therefore firmly believe that end-users should have free and unobstructed access to the data. This is in fact an essential component of the business model that will deliver **attention and co-creation value** for the contributing partners.

Cultural institutions / Member States

This is the most established part of the Europeana Network. Europeana currently has 2,500 participating institutions that share their data and knowledge through Europeana. This network is expected to grow organically (there are an estimated 60,000 memory institutions in Europe). These institutions also expect high value back in return: increased visibility through partnerships such as



[Wikimedia](#), standards (for example data or [IPR](#) models) that allow their digital objects to be more innovative, access to new business and project funding and tools such as open software (like Open Culture App) and Cloud-based services. While we believe that the basic service should be available for free for every institution that complies with the minimum requirements, we can develop **premium services on top of that, available to partners at a service fee**. The most natural and cost-efficient way to conceive of this is on a 'consortium' level, where Member States pay the service fee on behalf of all their institutions. This would keep overhead (and therefore costs) down to a minimum and will allow for a dynamic interplay between cultural institutions, Creative Industries and, for example, local [living labs](#) and [smart cities](#) that want to benefit from the exchange. For this model to work, the perceived value and service level of Europeana to institutions and Member States needs to significantly improve, for example through a much better knowledge exchange platform (Europeana Pro), detailed usage statistics based on API calls as well as traffic stats and known reach, and a partnership programme with leading platforms such as Wikimedia, Google and Facebook.

(EU) Project Funding

While central funding through CEF is expected to be drastically reduced over the course of the programme, Europeana expects to support part of its research and development (R&D) activities through other **project funding** in programmes such as [Horizon 2020](#) and [Creative Europe](#).

Creative Industries

One of the main objectives of this Strategic Plan is to fuel the Creative Industries with high quality, stable and risk-free access to cultural heritage but delivering access alone will not be enough to really boost creativity beyond prototyping and experimentation. A much deeper level of involvement is required to bring the potential to fuel fruition: co-creation formats, creative labs, business model workshops and access to capital and engaged investors. Europeana therefore aims to spin-off a commercial arm to develop incubation services to generate revenue. The **revenue** generated through these activities will be used to decrease the financial contributions of the Europeana Network partners.



Cost Structure

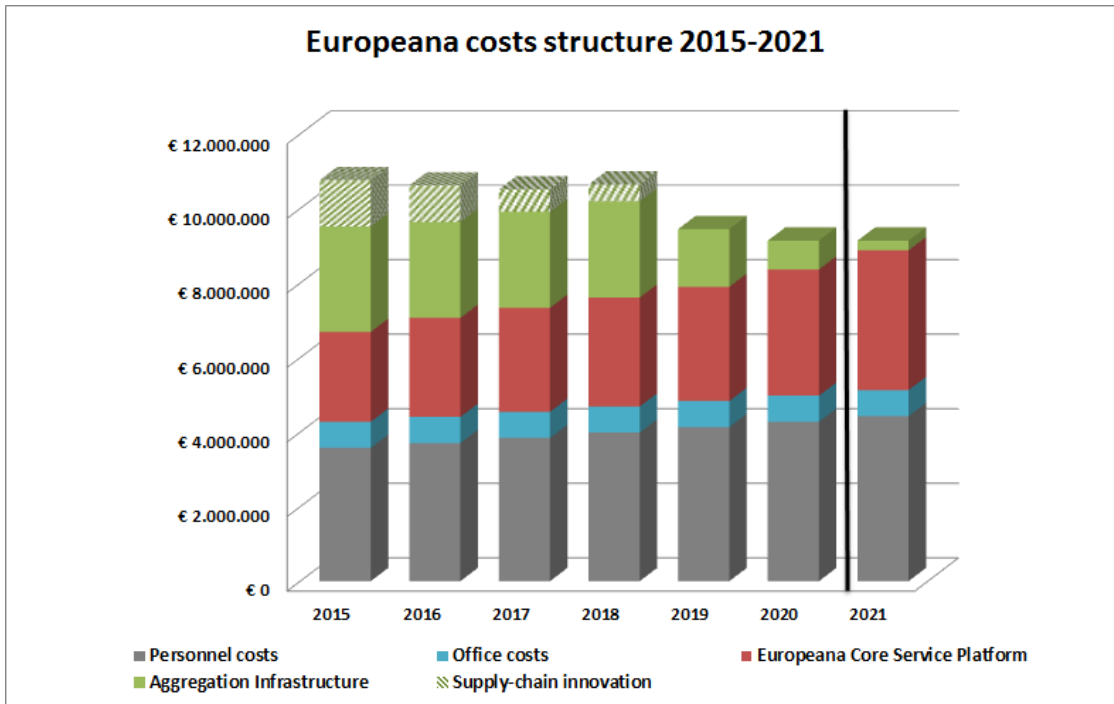


Figure 5: Cost Structure 2015-2021

General

The operational budget (see Appendix 1) for Europeana Foundation starts with €10.76 million for 2015 down to €9.14 million in 2020. The budget is based on the basic calculations for 2014 and incorporates certain core activities from aggregators that are essential for the Digital Service Infrastructure to operate.

The budget 2015-2020 is split into:

- Personnel costs
- Office costs
- Europeana core service platform
- Aggregation infrastructure
- Supply chain innovation

Personnel costs

Personnel costs are based on 50 FTEs for Europeana Foundation for the full period (shifting from two employees in 2015 in Europeana satellite offices up to 15 employees in 2020). These costs will remain stable and are only indexed for inflation. Personnel staff is based on the three activity tracks; aggregation, facilitation and distribution and engagement, supported by five cross functional



teams; network and sustainability, corporate communications, product development, technology and people and business support.

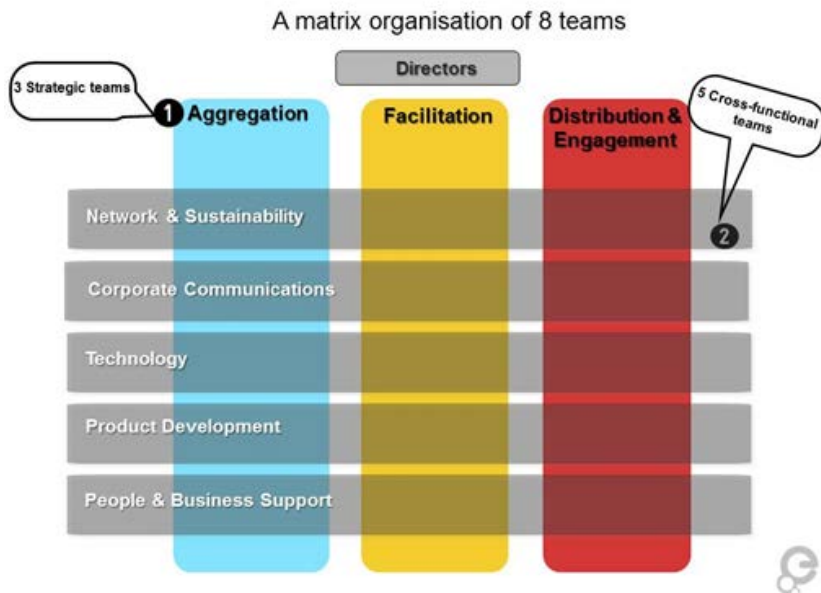


Figure 6: Organisational Structure Europeana Foundation

Office costs

To run the entire office of Europeana Foundation, including satellite offices, there is a budget needed of €0.7 million a year. This covers office rent, desk spaces and a proper IT back office (including hard and software).

Europeana core service platform

- An important part of the costs for Europeana's Core Service Platform relates to the IT infrastructure, hosting, maintenance and development of all websites, portal and other products. A cloud infrastructure will be deployed and it is likely costs will increase based on the need for more storage and the delivery of more complex services over the coming years.
- Costs of Network hosting and development to further expand and activate the network. On a yearly basis Europeana organises and hosts several workshops, the Annual General Network Meeting and other events.
- Legal support is needed in several fields - rights management and risk avoidance, the costs of contracts, particularly with commercial entities for the hosting of the system and services but also with investors. Legal costs are also incurred in the running of the Foundation and its good governance.
- Platform development and innovation: these need continual review and investment. The online world is subject to fast technological change, witnessed by the speedy adoption of smart phones requiring different approaches and types of material. To stay ahead of this curve and to serve our clients well, we have to continue to invest in the semantic web technologies and the costs of creating and maintaining standards.



- The overall costs of the core service platform are expected to increase with the roll out and uptake of new services. There will be a direct link between these (premium) services and the service fees from Member States.

Aggregation infrastructure

- The platform needs a stable infrastructure to make our heritage discoverable and available. This is very dependent on a 'supply' infrastructure that is managed by aggregators on domain and Member State level. The costs for aggregation that are part of this budget are the costs pertaining to the domain aggregators, e.g. for film or text via the European Film Gateway or The European Library. This part of the supply infrastructure for Europeana is built upon EU funding and a sudden withdrawal of this funding would lead to a collapse of the service. The budget line for this is decreasing as these services will also have to find a self-sustainable way to cover the costs of aggregation to Europeana in the next three to four years.
- For these first years of CEF, Europeana Foundation will operate a consortium of domain aggregators to ensure supply of material to Europeana while working on longer term solutions for the sustainability of this supply chain. It is expected that the consortium will consist of six to eight aggregators.
- Part of these costs are expected to be accommodated over time in the proposed shared cloud infrastructure and as the national infrastructures mature, more of the provision of data can be directed via these services towards Europeana.
- It is expected that the cost of aggregation to Europeana will alter over the coming years as new technologies are deployed. But provision should be made in this sustainability plan to cover them.
- The aim is to be able to scale up from 2,500 contributing partners to 25,000 through better technologies and a robust, cloud based, digital service infrastructure by 2020.

Supply-chain innovation

During the first three years of the CEF funding, additional effort is required to innovate and transform the aggregation process, moving away from linear delivery of data into a central repository and uncovering the best way to access the digital objects, with particular reference to re-use. The Europeana Data Model, Linked Open Data technologies and the incipient Cloud access technologies will be the basis of this transition. Starting with the members of the Europeana CEF Aggregation consortium (Europeana and the domain aggregators) but involving the national platforms and portals, a solution that aids ease of access to digital content will be uncovered in a revised aggregation or supply-chain structure. The money provided under the CEF will thus be used to develop a new aggregation infrastructure, as part of the Europeana Digital Service Infrastructure that is more fit to demand.



Income Structure

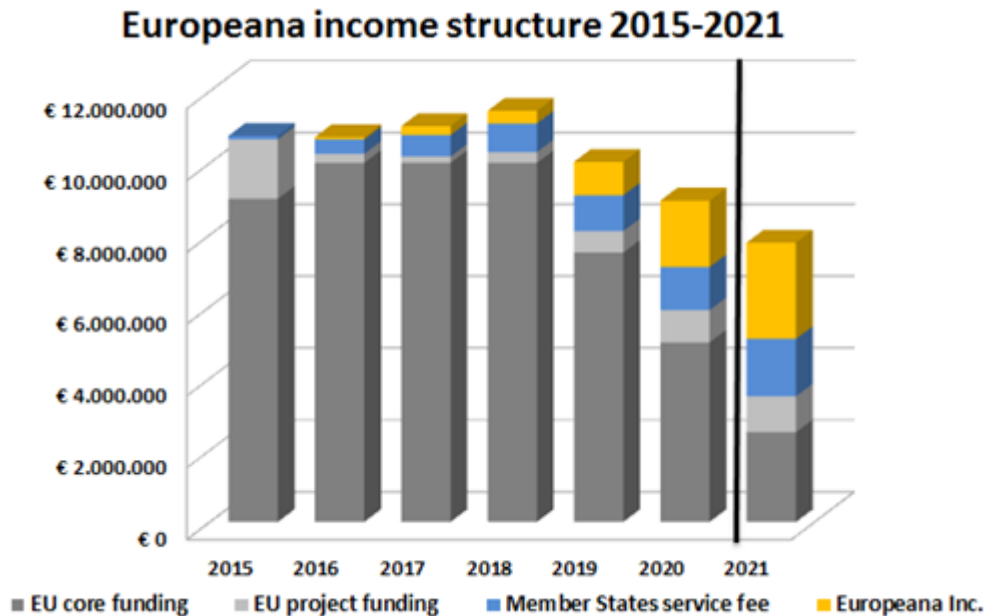


Figure 7: Income Structure 2015-2021

General

In order to run effectively for the period 2015-2018 Europeana needs an average amount of €10 million a year. This covers the transition to an improved supply-chain infrastructure and a re-branding of Europeana as a true service infrastructure. After this period, the funding need goes down to under €8 million. During this period, we will transform the operation from the current centrally-funded business model to a more diversified one. This is to be made up from CEF, project, Member States and commercial revenue sources. The proportions will change over the coming years from around 83% for CEF funding to 56% in 2020. And 2019 will be a pivotal year with a significant increase of Member State service fees and revenues from commercial activities.

Europeana Foundation strongly believes that after 2020, continued central EU funding at a reduced rate will be necessary for the avoidance of market failure and ability to properly share in the benefits of European-wide network that is demonstrating the binding force of culture in a European Union.

The overall decrease in the total funding per year (see Figure 7), from 2019, is based on the decrease for CEF funding. The funding from Member States and Europeana Inc. is increasing.

As shown in Appendix 1, Europeana Foundation is building a reserve from 2016 up to 2019 to cover the sharp decline of CEF funding for 2019 and 2020. This reserve will be used to gradually build up service fees from Member States and revenue from Europeana Inc.



Core EU funding

Core EU funding will finance the transition that Europeana Foundation needs to move from a largely EU funded enterprise to one that has a diversified income structure. It is proposed to request €9 million in 2015, followed by €10 million per year from 2016-2018. This will enable a true, cloud-based digital service infrastructure to be set up including a strong aggregation supply chain and a distribution network using the Europeana Labs virtual and physical environments. From late 2017, some income is expected from Member States and from the Europeana Labs incubation activities. These monies will form the running capital needed for subsequent years as we move first to €7.5 million in 2019 and then to €5 million by 2020. Given the nature of Europeana as a pan-European Digital Service Infrastructure, it is expected that a yearly subsidy of around €2.5 million will be needed to support areas that would otherwise suffer from market failure.

Project Funding

- Based on the current projects that will still run in the period January 2015 to January 2017 a total amount of €1,863.000 of funding is already allocated. This funding from the current CIP funding is for the projects;
 - Europeana Cloud
 - Europeana Creative
 - Europeana V3
 - Europeana Sounds
 - Ambrosia
- For the period 2015-2020 Europeana Foundation will pitch and hopefully win new projects from both EU funding, such as the Horizon2020 and Creative Europe programmes, and other non EU sources.

Member States Service Fee

- Member States are already voluntarily paying for the existence of Europeana. Over the past five years we have been given €3.5 million providing matching funding (20% in most cases) for EU projects such as those listed above, and to cover overheads such as office space, IT and communications needs for employees of the Foundation.
- The amounts provided have varied widely from country to country and have come in the form of donations. In the new model, we aim to shift to a proportional service fee, according to use of the Europeana platform and services, which would be sought from each Member State. These services should have cost reduction benefits for Member States (MS) as well as the potential to get their culture widely distributed throughout the world. This model is more cost effective than asking individual CH institutions for a service fee.
- Additional service fees might be raised from non-EU countries that also use the service.
- Voluntary payments will be encouraged in 2015. The request for MS-wide service fees would start in 2016 against the services then being levied, with the aim of raising €400,000 – this is under €15,000 per Member State. This would increase to €1.2 million by 2020 from this source (under €43,000 per member state).



Europeana Inc.

- Europeana Inc. will be a separate commercial entity so as to reduce the legal and financial risk to the work of the Foundation and to enable focus by a small team. Based on the work of Europeana Creative, Europeana Space and Ambrosia and its resulting Europeana Labs, Europeana will continue to work closely with the European Business Network and similar networks to deliver new products and services to market. Acting as a cultural innovator, Europeana capitalises on past and continuing work that draws this content together and supplies, where the market is not, some entrepreneurship to find new digital markets.

There are two major strands of activity:

- Developing Europeana owned products and services for sale. This includes consultancy services, such as the development and nurturing of digital libraries in other parts of the world or the management of the Europeana Labs network as Event spaces; or the creation of new products such as electronic books, or microsites for travel companies on cultural tourism.
 - Developing an incubator that encourages others to build new services and products, giving them a full service from space and equipment and co-creation provision to access to investors and market expertise. The incubator earns revenues from being an equity partner and importantly, it helps entrepreneurs generate new revenues and supports the potential large-scale tourism market for cultural material outlined in the SEO cost benefit analysis.
- Revenues from Europeana Inc. will support the Europeana Foundation. Costs include the management of the investments, part of the Europeana Labs network, cloud storage, capital investments, legal advice and specific expertise.
 - If Europeana can raise a higher income from the commercial activities than €3 million per year, this will be returned to the Member States.

Conclusion

During the period of the new Strategic Plan, Europeana will shift its business model from a centrally funded EU operation towards a more diversified and entrepreneurial funding model based on clearly defined value propositions.

This is a challenging turnaround necessitated by a decrease in available funding in CEF. It will require Europeana Foundation to operate a multi-sided platform where value flows seamlessly between the different customer groups.

Europeana needs around €10.8 million a year in 2015 down to €9 million in 2020 to realise the desired impact:

- A decreasing part will come from central EU funding (CEF): from an average of €10 million in the first four years to €2.5 million after the end of the Strategic Plan. A relatively small but stable part of the income will come from other project funding such as H2020 and Creative Europe.



- An increasing part will be needed from the cultural sector (Member States) ranging from €0.1 million in 2015 to around €1.2 million in 2020. A strong premium services package needs to be developed.
- An increasing part will come from commercial activities rising from €0.07 million in 2016 to around €1.9 million in 2020.

Europeana is a network organisation where the Foundation and the Network work closely together towards the shared goal of making our heritage available for everyone, to 'power the world with European culture'. By providing end-users with unobstructed access to sharable content, they will bring value back to the contributing institutions. Likewise, we can develop revenue sharing models with creative industries that will benefit from safe and stable content services and incubation facilities. This value flow to and from cultural institutions is therefore at the heart of the new Europeana business model.

Appendix 1 Europeana Budget 2015-2020

Europeana Income structure 2015-2021

Europeana Income	2015	2016	2017	2018	2019	2020	2021
EUROPEANA FOUNDATION:							
1) EU Funding	-						
EU core funding	9.000.000	10.000.000	10.000.000	10.000.000	7.500.000	5.000.000	2.500.000
EU project funding	1.657.000	251.000	175.000	300.000	600.000	900.000	1.000.000
* Current CIP funding	1.657.000	191.000	15.000	-	-	-	-
* Horizon2020	-	30.000	80.000	150.000	300.000	450.000	500.000
* Creative Europe or other EU programmes	-	30.000	80.000	150.000	300.000	450.000	500.000
EU Funding	10.657.000	10.251.000	10.175.000	10.300.000	8.100.000	5.900.000	3.500.000
Member States service fee	100.000	400.000	600.000	800.000	1.000.000	1.200.000	1.600.000
3) Europeana Inc.							
* Sponsorships	-	25.000	50.000	75.000	100.000	150.000	150.000
* Rights clearance for Developers of new services	-	20.000	50.000	75.000	150.000	200.000	250.000
* Revenues sharing services - Brokerage for CI	-	25.000	75.000	100.000	180.000	250.000	30.000
* Joint ventures & Incubation	-	-	75.000	100.000	500.000	1.250.000	2.250.000
Europeana Inc.	-	70.000	250.000	350.000	930.000	1.850.000	2.680.000
TOTAL AMOUNT	10.757.000	10.721.000	11.025.000	11.450.000	10.030.000	8.950.000	7.780.000

Europeana Costs structure 2015-2021

Europeana Costs	2015	2016	2017	2018	2019	2020	2021
EUROPEANA FOUNDATION OFFICE							
1) Personnel costs							
* Europeana Foundation (head quarter)	3.430.000	3.405.000	3.224.000	3.027.000	2.892.000	2.993.000	3.098.000
* Europeana satellite offices	144.000	298.000	617.000	958.000	1.239.000	1.282.000	1.327.000
Personnel costs	3.574.000	3.703.000	3.841.000	3.985.000	4.131.000	4.275.000	4.425.000
2) Office costs							
* Office rent	200.000	200.000	200.000	200.000	200.000	200.000	200.000
* Desk spaces and Office IT	200.000	200.000	200.000	200.000	200.000	200.000	200.000
* Office costs	300.000	300.000	300.000	300.000	300.000	300.000	300.000
Office costs	700.000	700.000	700.000	700.000	700.000	700.000	700.000
3) Europeana Core service platform							
* IT infrastructure - hosting and development	1.260.000	1.450.000	1.523.000	1.599.000	1.679.000	1.931.000	2.221.000
* The Network - hosting and developing	500.000	525.000	551.000	579.000	608.000	638.000	670.000
* Legal support and development	150.000	158.000	166.000	174.000	180.000	189.000	199.000
* Platform development and innovation	500.000	525.000	551.000	570.000	599.000	629.000	660.000
Europeana Core Service Platform	2.410.000	2.658.000	2.791.000	2.922.000	3.066.000	3.387.000	3.750.000
4) Supply-chain innovation	1.243.000	973.000	600.000	450.000	-	-	-
5) Aggregation Infrastructure							
* Personnel costs	1.750.000	1.500.000	1.500.000	1.500.000	900.000	450.000	150.000
* IT infrastructure - hosting and development	720.000	720.000	720.000	720.000	432.000	216.000	72.000
* The Network - hosting and developing	150.000	150.000	150.000	150.000	90.000	45.000	15.000
* Legal support and development	60.000	60.000	60.000	60.000	36.000	18.000	6.000
* Platform development and innovation	150.000	150.000	150.000	150.000	90.000	45.000	15.000
Aggregation Infrastructure	2.830.000	2.580.000	2.580.000	2.580.000	1.548.000	774.000	258.000
TOTAL COSTS	10.757.000	10.614.000	10.512.000	10.637.000	9.445.000	9.136.000	9.133.000
CUMULATIVE RESULT	-	107.000	620.000	1.433.000	2.018.000	1.832.000	479.000