8. Netherlands – Dutch Digital Library

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On the 21st January 2014 the Dutch Digital Library Programme launched a new national e-book lending platform (run by Stichting Bibliotheek.nl) offering access to 5,500 titles from the top 50 Dutch publishers (about 20% of the total number of e-book titles available in the Netherlands) on a multi-user pay-per loan license model to 162 public libraries. The platform also offers the facility for self-published authors to license their work for e-lending through libraries.

A key incentive behind developing the new platform was to secure more favourable pricing/licensing for e-book titles from Dutch publishers. In 2011 many publishers were still charging up to €2,000 for uncapped streamed access to a two-year-old e-book title. While it could be argued that this represents an acceptable investment for uncapped use, it was felt that these upfront payments would put too much pressure on library budgets. Other publishers were asking for fees of €3 per week per e-book title. A further key objective for the platform was to provide an alternative to traditional one copy one user e-book licensing models, which restricted the number of simultaneous loans libraries could offer. It was felt that while library patrons understand the concept of signing up for a waiting list until a physical book has been returned to the library – this approach was more difficult to justify when it comes to digital titles. Finally, it was also felt that libraries had a key role to play as a legitimate alternative to piracy – given that, in the Netherlands, only 10% of the estimated 128 million books downloaded to e-reader devices by the end of 2013 had been acquired by legal means.
Commercial context

In 2013, the Dutch trade book market was worth €557 million, with e-book titles representing 4.7% of revenue. The annual collection budget for the entire Dutch Library System (including the National Library) is €60 million, with around €6 million additional investment in digital content. This means that library purchasing accounts for about 11.8% of the trade book market, and 23% of the e-book market. In 2014 around €3 million of the digital content budget will be used to purchase e-book licences (representing 11% of the trade e-book market). This market share is expected to rise to nearly 50% of the trade e-book market by 2017 after new legislation which comes into force in 2015 empowers the National Library to establish a centralized budget for licensing e-books for libraries – which will double the size of the library budget for digital content.

Initially proposed licensing model – head, shoulder and long tail

During its initial phase of negotiations with participating publishers the Dutch Digital Library proposed the digital titles be split into three distinct licensing categories:

- **License 1**: Head titles (less than 1 year since publication) – options considered include
  a) offering these titles on a one loan per copy basis with a patron charge of €1-3 per week; or
  b) offering some of these titles under the same pricing/loan structure as Model 2 below.
- **License 2**: Shoulder titles (1-3 years since publication) – these 2,500 titles would be offered as part of an “e-book plus” package which is supplementary to standard library membership. Patrons pay a fee of €20 for access to 18 e-books. It was anticipated that this fee would be sufficient to cover both licence charges and platform costs.
- **License 3**: Long tail titles (at least 3 years since publication) – these titles (over 2,500) would be offered to all library members free of charge without any simultaneous loan restrictions. The budget for this would be provided by local government.

License 2 titles would involve a library payment to the publisher of €0.36-0.40 and Model 3 titles would involve a payment of €0.24 per title for the first year, falling to €0.12 per title thereafter. Each loan also carries platform maintenance costs of €0.20-0.30 (including data and digital rights management costs). As a result the average library cost per loan would be around €0.60-0.70. For license 2 titles the (early adopting) publishers would receive a non-refundable initial payment of €360 per title for 1,000 loans – after which they will receive €0.36 per subsequent loan. These upfront payments were initially justified by the publisher on the basis that they were an important incentive for persuading authors to approve the licensing of their work for e-lending purposes.

Current licensing model – recent titles and long tail titles

Before the launch of the Dutch Digital Library e-lending programme in January 2014, it was agreed to delay the introduction of the e-book plus package and associated charges for the first 6 months of the project in order to attract more patron’s to transition towards borrowing e-books through the scheme. Furthermore, in practice, the fixed price licensing options (License 1 and License 2 above) originally proposed have not been implemented and have been effectively replaced with a range of individual deals with publishers to access titles between 0 and 3 years old. Thus the prospective 3 tier fixed
license model has, for the time being, been replaced by a more flexible two tier license model:

- Titles under 3 years old – range of pay per use licenses (including some upfront payments) – typically from €0.36 to €0.60 per loan.
- Titles over 3 years old – €0.24 per loan for the first year, €0.12 per loan thereafter.

The second license tier above is specifically designed to offer publishers a chance to monetise the long tail titles in their catalogues which traditionally would be subject to diminishing commercial sales. As the platform develops there are plans to introduce more advanced search functionalities and recommendation algorithms which will have the capacity to enhance user discovery of these long tail titles which will potentially drive further increases in publisher revenue.

The e-lending model continues to evolve

While the upfront payment license agreements (€360 for 1,000 loans) were highly successful in attracting in early adopting publishers to offer contemporary titles for e-lending via the Digital Library platform – in retrospect this is considered to have been a necessary but relatively expensive incentive strategy. Substantial non-refundable upfront payments represent a potentially high risk investment as they commit the library to allocating substantial resource to titles which may not necessarily recoup that initial cost depending on patron demand.

However, recent negotiations with publishers in September 2014 have secured new agreements whereby previous titles subject to an upfront payment license will be migrated to a pay-per loan model. In addition, when any exceptional upfront payments are made to secure access to newer titles, these will now be refundable in instances where there is low patron demand for that title – or alternatively, the license will no longer subject to a time limit so there will be scope to recoup the upfront investment over time. Certainly, it is likely that decreasing reliance on licenses involving upfront payments will be of significant benefit to the Digital Library in the long term as average costs per loan decrease as a result this new arrangement.

Interestingly, the rapid growth of the Digital Library e-lending service has begun to exert traction on the economic incentives affecting publishers. For example, the second largest publisher in the commercial e-book market (with around a quarter of the market share) has decided to offer more recent titles for e-lending. This has enabled that publisher to service around half of the Digital Library e-book loans, potentially capturing around half of the available e-lending revenues next year. In contrast, the largest publisher in the commercial e-book market decided to withhold many recent titles from e-lending which means that it has only serviced less than a fifth of e-lending loans.

Indeed there is growing evidence that the increasing tangible revenue opportunities available through e-lending demonstrated by the Digital Library e-lending programme is leading publishers to shift their position on withholding recent titles. A number of publishers have begun releasing new e-books for e-lending at the same time as they are released for traditional purchase. In addition, whilst publisher initially insisted on supplementary patron charges for accessing recent titles – the introduction of these charges has currently been delayed, and there is some speculation as to whether the concept may eventually be shelved – given that publishers seem largely satisfied with the
current model. The Digital Library also initially believed that supplementary patron charges would be essential to support the costs of the platform, but in practice this seems to have been less necessary than previously thought – particularly in light of the Dutch Government’s plans to introduce a larger centralized e-book purchasing budget for libraries in 2015.

The Digital Library is also experimenting with different one-off licensing deals to gain access to particularly attractive titles. One example of this is an offer to pay €0.60 per loan for any of the top 60 bestselling titles offered for e-lending within the first 12 months of their life cycle. Given that the majority of commercial profits are made on titles within the first 3-4 months, this offers a strong incentive for publishers to release titles for e-lending which are between 6-8 months old. In addition, strategic one-off investments in particularly attractive titles represent good value for money in terms of the cost per loan. This is well-illustrated by a recent edition of the Digital Library’s holiday app (which offers a selection of downloadable titles to members of the public without restriction over specific holiday periods). In the case of one title the Digital Library invested €10,000 to secure a two month license with un-capped usage – which resulted in over 80,000 downloads (which translates to a relatively economic €0.12 per download).

Policy context

Currently the Dutch Digital Library supports part of its platform costs via a fee charged to all public libraries based on an agreement with the Netherlands Public Libraries Association (VOB). Under the terms of this agreement libraries pay a fee of €0.35 per inhabitant (up from €0.20 per inhabitant at the start of the project). The total platform budget for 2014 will be around €6.2 million with about €2.5 million allocated to licensing e-books. The entire budget for the Digital Library in 2014 (covering the provision of a range of other digital services including audiobooks and other digital media) comes to €24 million – €18 million of which is financed by the Ministry of Culture. Total local government expenditure on public libraries in the Netherlands will be around €500 million in 2014.

In January 2015 the Dutch Government will enact new legislation which will provide an anticipated centralized annual budget of €8 million for purchasing digital content for public libraries. This will also see the end of the individual library support payments to the platform. The new legal framework will assign the Dutch National Library (Koninklijke Bibliotheek) with new duties and powers in relation to public libraries in the Netherlands, including on-going management and development of the Digital Library e-lending platform. The process will also involve the integration of Stichting Bibliotheek.nl (the temporary project organisation which developed the platform) within the National Library.

This transition will include provisions for the National Library to centrally purchase digital content including e-books in consultation with the broader library sector. The National Library will be empowered draw upon contributions from local government to finance this new budget for digital content, projected to be €8 million for 2015, €8.2 million in 2016 and rising to €12.2 million by 2018 (excluding VAT which is up to 21% for e-books). The selection of licensed titles will be reviewed by a special committee of public library representatives. Around 20% of this budget can be allocated to the technical and promotional costs of administering the Digital Library platform. Based on
these developments, it is likely that the creation of a dedicated/centralized government budget for acquiring public library digital content will be a substantial contributing factor towards the on-going financial sustainability of the Dutch Digital Library model.

**Cultural context**

16 The Netherlands has Dutch speaking population of around 16.7 million, and a network of 162 public libraries managing 100 million annual lending transactions across a combined collection of 30 million items.

17 In the Netherlands public library membership involves an annual charge of around €30-40 per year – though this does not often apply to students, the elderly and those under 18 years of age. In addition, there is no additional fee for checking out physical books and additional allowances for those who are unable to pay for membership (such as the unemployed), so in general the annual membership fee is drawn from employed adults. Public libraries also pay a lending fee of €0.12 to publishers for each physical book loan (author receives 70% of the fee). Licence fees for e-books tend to be more favourable to the publisher with the author receiving between 10%-50%.

18 This pre-existing culture of paying a nominal fee to access public library services (which covers around 15% of operational costs) clearly makes migration to a digital e-lending service which charges for certain titles far more viable than in countries where all library services are traditionally free of charge. However, it is interesting to note that despite supplementary patron charges being a key component of negotiations with publishers prior to the launch of the Digital Library platform in January – they have yet to be implemented.

**Scope and audience of e-lending model**

19 As of September 2014 the Digital Library platform had attracted 100,000 registered users who have collectively borrowed around 400,000 e-book titles during the 8 months since the launch of the project. If the Digital Library’s holiday app and audio book e-lending services are taken into account it has attracted 625,000 registered users over the past 24 months. In terms its e-lending platform the Digital Library has set itself a target of engaging 500,000 registered users by 2016, and potentially reaching over a million registered users by 2020. Currently all 162 public libraries in the Netherlands potentially have access to the Digital Library platform, although in practice many libraries are still completing the process of integrating their ILS and authentication systems with the Digital Library interface.

**Collection characteristics**

20 After launching in January 2014 with 5,500 e-book titles, further negotiations in September between the Digital Library and the 140 publishers participating in the platform have secured access to an additional 2,000 titles, bringing the total number of contemporary titles available on the platform to 7,500 (25% of all Dutch e-book titles). The current collection now consists of around 100 titles under 12 months old (alongside
an additional 500 self-published titles), up to 2,000 titles 1-3 years after publication, and over 5,000 titles older than 3 years.

Additionally, the Dutch Digital Library programme plans to make the collections of all public libraries and the National Library of the Netherlands (Koninklijke Bibliotheek) available through the National Library Catalogue. This catalogue will eventually be available online to all Dutch citizens and will include 250,000 copyright free e-book titles (currently being digitized by Google for the National Library) along with the 40,000 titles that are already digitized. A further 1,500 titles have been digitized (funded by the Dutch government) and will be made available for publishers to sell as e-books and for the public libraries to lend free of charge. Part of this list is already available on the current platform. Plans for a further expansion to the number of digitized titles are under consideration for 2015.

Financial characteristics

The Digital Library estimates that the management and administration of their e-lending platform currently involves fixed costs of around €150,000 per year, along with transaction costs of €0.20 per title downloaded, as well as €0.12 for applying DRM or €0.08 for applying watermarking (social DRM) to each title. An agreement has been reached with the supplier of this service – CB Logistics – that variable cost will go down as volume goes up.

Friction strategies

At first many publishers participating in the Digital Library platform refused to include many of their front list titles for e-lending. However, as publishers have become increasingly socialised with the e-lending experience and the different licensing options available to incentivise the release of new e-book titles, there is evidence to suggest that this situation is steadily improving. Furthermore, the fact that there have been no reported cases of illegal copying in relation to e-book files downloaded through the Digital Library has served to strengthen publisher confidence and trust in the e-lending system.

Technical specifications

The Dutch Digital Library e-book platform consists of a library-developed patron interface which supplies digital content which is hosted in ePub/PDF format on the third party CB Logistics (Central Book House Platform) which most Dutch publishers use primarily for the commercial sale of e-books. Publishers are able to login to the CB platform and select titles to be automatically listed for loan via the Digital Library e-book platform. Titles can be streamed to laptops, smartphones and tablets including iOS and Android devices. The Digital Library’s e-book platform’s bespoke e-reading app (VakantieBieb) also allows patrons to read titles offline after download (with a watermark applied). Around 25% of e-book titles can be downloaded to other e-readers using DRM.

The Digital Library has also developed standalone e-reading apps which are being made available with selected rights free content and/or copyrighted titles during holiday
seasons. Users of these holiday apps do not need to be registered library members. These promotional offerings have been extremely popular (e.g. reaching the number 1 spot on iTunes) and attracted both national and local press coverage.\(^1\) The first holiday app was launched in the summer of 2013 as a precursor to the Digital Library e-lending platform to help introduce the wider consumer market to e-book lending. In the 12 months since its initial launch successive releases of the holiday app have registered 350,000 users and supported 2.5 million e-book downloads. Overall expenditure on developing the holiday app, e-book licenses and marketing is around €400,000 (covering a 12 month period including two summer releases of the app).

**User experience**

26 The rapid growth in the number of users and loan transactions on the Digital Library e-lending platform clearly suggest that the initiative is succeeding in satisfying previously unaddressed demand of access to e-books. Users report positive feedback on the platform, although demand for more recent titles remains an issue for on-going negotiations with publishers. The introduction of a preview button on the platform, which allows users to review the first two chapters of an e-book before choosing to download it, is also likely to maximise user experience by ensuring that more loans are expended on borrowing titles users fully intend to read. It will also help reduce licensing costs given that currently every title accessed (even if only partially read) triggers a full license fee payment.

27 Generally speaking, the constantly evolving range of flexible licensing approaches being offered to publishers by the Digital Library are designed to iteratively secure ever expanding access to a wider range of titles. This approach also serves to build increasing trust in the e-lending process and the viability of e-lending revenues for participating publishers – which feeds back into the user experience of e-lending by enhancing the range of available e-books. It will be interesting to see whether the current suspension of the supplementary patron e-lending charges (previously embedded in the original e-lending proposition to publishers) proves to become an enduring feature of the existing e-lending model going forward.

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**NOTES**

2. Introduction to Dutch Library Program, Presentation for EBLIDA, 2013, slide 10.