

The benefits of the Klopotek solution for publishers

by Wolf-Michael Mehl

As a result of 'digitization', 'globalization' and the substantial implications these dramatic changes have, new business models are being created, new players are entering the market, and new ways of accessing the market are being developed. Publishing and IT development are complementing each other's efforts. Readers are turning into users who come up with their own ideas of how and when to make use of or 'consume' the content offered by publishers, and they want to decide about which channel to use.

Traditional, proven processes in publishing are undergoing radical changes, as new concepts for electronic, granular products require processes which have been adapted to these concepts. We'll see a shift to aligning the processes with the content first – and only, as a second step, publishers will 'materialize' this content into specific product forms.

We're witnessing a trend towards individual titles being purchased in smaller numbers, while the number of types of products offered has to increase in order to remain successful on the market. Keywords such as 'lending' content and flat rates for access to content are becoming more and more important.

It is our firm belief that publishers will successfully manage the process of change we're in, if they meet and confront these challenges, if they actively enter transformation processes, and if they make investments and have a clear vision of their goals.

Klopotek wants to support publishers on this journey. We are convinced that our publishing applications can provide the right perspective for the areas of change named above, even if not all of the individual topics of change are at the top of the agenda of every individual publisher.

Some crucial topics of change are named and examined below.

Contract and Royalty Management

Klopotek's CR&R (Contracts, Rights & Royalties) enables publishers to secure, manage, and exploit their usage rights efficiently. With CR&R, product managers create contracts with authors, publishers, illustrators, translators, musicians, and other rights holders.

Royalty payments are made in accordance with international evaluation standards. Rights departments optimize the acquisition of rights and increase revenues from conventional and electronic rights – whether for series, single works or fragments. With CR&R, you can manage all your contracts, royalties and exploitation rights for books, e-books, journals, articles, audio books, tracks, and apps in an integrated system.

Digital business models place demanding requirements on contract, rights and royalties management. CR&R supports your transition from traditional to digital business models in an unrivaled and comprehensive fashion.

Klopotek provides preview statements, so publishers who rely on our software can always find out about the current royalty amount, as it is calculated at the moment of being checked. Our customers have the option to perform an evaluation of their advance payments at any time. This special feature includes various options for royalty write-offs and depreciation methods. It has been checked by KPMG at customers in live tests and was assessed positively.

The comprehensive functionality of this solution, as described above, is unique in its scope in comparison to the offerings of competitors of Klopotek in Germany. It is also the only solution which is truly standardized; our competitors' products are individually-built software applications.

Many German and international publishers (together representing a large share of the publishing market) have been creating their royalty statements using Klopotek CR&R for 20 years. The result has always been correct statements to authors.

About €3 bn publishing revenue is handled correctly by Klopotek CR&R (this has been checked and confirmed by auditors BDO), and 1.6 m contracts are managed. €500 m royalties are calculated and paid to authors annually (750,000 author royalty statements are created for this) using Klopotek systems.

Our customers benefit from the fact that we are continuously expanding our position in the area of CR&R and investing in our system. In the light of this, the question 'make or buy' should, in our opinion, no longer be asked.

As early as from the first version of our CR&R system, we always considered the contract and the 'work' as the basis for the royalty statements – in contrast to solutions of our competitors who use the ISBN or the title as the basis. This is one of the reasons why Klopotek is far more reliable than other systems.

STREAM Application 'Authors Online'

Authors Online is a portal for authors which runs on Klopotek STREAM, a cloud-based technology platform for optimized user interaction on desktop computers and mobile devices. Utilizing this portal, publishers can offer authors and agencies access to relevant data (royalties, advances, and subsidiary rights). This data can be updated on a daily basis and always accurate. In addition, electronic royalty statements can be downloaded from the portal. Authors Online enables publishers to improve transparency which will result in better author relationships. For your employees, using the app will result in shorter lines of communication and reduced workload in the royalties and accounting departments, as these departments will get less requests for information from authors and other departments. Especially, sending out e-statements instead of printed statements saves time, reduces your costs (paper, printing, postage) and is environmentally friendly (resource conservation).

Contract Workflow Management

As the number of digital products is increasing, specific contractual agreements are required, so contract management processes have to be standardized in order to keep costs down. Klopotek provides a workflow management tool for the entire contract management process. Creating new contracts is fully template-based, so it only takes a few minutes. This applies to traditional contracts with authors as well as to agreements with contributors or to contracts with several authors. Different contract versions are saved in the system; easy-to-use tools for comparing are integrated (visual comparison). The tool provides in-house workflow support and enables you to communicate with your authors and to send and receive documents. This includes sending one document to several authors and/or sending several documents to one author (each). You can offer all information on sales and royalties and all statements to your authors online via an authors portal. You choose how detailed this information will be. In a future version, author self-care options will also be available.

STREAM Application 'Rights Sales Manager'

To run your rights sales business in the most efficient way, you require a clear overview of which rights have been acquired from an author and which rights remain available to sell.

A frequent problem is ambiguous information about restrictions and the lack of an automated tracking system, which means that rights managers have to manually check the contract documents for subsidiary rights acquired and their associated terms, because typically, the rights sales system in use is not integrated with the contract system. This kind of 'research' into rights issues is becoming ever more complex because of the dynamic development of digital rights. Errors in the field of rights can have serious legal consequences and lead to significant financial implications for publishers as well as authors.

To market rights effectively, rights managers must have a clear overview of the (various) rights associated with a title. It is also vital to always have accurate and up-to-date information at hand such as specific topics of interest, publishing house structure, quality features, payment behavior etc. All of this is provided by the Rights Sales Manager, which runs on Klopotek STREAM.

Rights sales is rights marketing. The Rights Sales Manager enables you to match the interests of your contacts with the subjects of the promoted titles. Title lists for rights sales can be uploaded. The app also offers options to track recorded interests and options in an efficient way to the point of contract negotiations and agreement. Once an agreement is made, payments due and statements can be tracked.

Using the Rights Manager helps publishers to reduce research and administration and focus on the marketing of the available rights to their sales contacts. The app also ensures that you are prompted to chase for payments ensuring that payments for licensed rights are made.

Variants for Digital Products

Due to the emergence of electronic products such as e-books, e-chapters, apps, and other software products, state-of-the-art metadata management has become crucial. Today, there are several competing e-book formats. Publishing houses have to supply a work/piece of content in six or more different e-book formats in order to support the different e-readers on the market. If there is a basic product (a print product) and an EPUB, a MOBIPOCKET and/or PDF version of the corresponding e-book, relevant master data – such as the ISBN and price per variant – has to be stored and managed in order to provide distributors with the data they need. This process is supported by Klopotek, but you don't have to synchronize the product metadata, as you can create a 'varied bunch' of variants for each basic product. This also applies to exporting the product data to catalogs, shops and title registrations.

This is of particular importance if a publisher not only sells the content of a product as a whole, but also as separate com-

ponents ('chunks', e.g. chapters of a book). In many cases, it doesn't make sense to create individual products for chunks, as the result of doing so would be a huge number of products in the system. To illustrate this: an average book consists of 10 chapters. If these chapters should be made available in three e-book formats for 10,000 products, 300,000 chunk products would be the result. In Klopotek, 'chunk' variants can have individual titles, prices, and information on page numbers, so they can be sold and invoiced just like e-books.

Component-Based Business

There is a growing trend to plan products on a much more granular level than in the past. These granular elements can be (parts of) chapters, video or audio files, or snippets or chunks of texts. Many new business models cannot be successfully employed without combining various granular elements of content in different types of products.

In many cases, it will no longer be sufficient to plan and produce publishing products as traditional print products. The focus will shift to selling components which will have their own pricing scheme and their own life cycle. These products will be planned as components on the 'work' level; rights will be managed on a component level, and selling components will be a key to individualizing offers to readers and consumers.

In order to better support component-based business processes, Klopotek is developing a new module: the 'work' will be the basis for a central planning feature for all components and products (of a 'work'). Using a component list, it will be possible to plan, organize, move and discard components prior to deciding if a specific component will be published as an individual product or as a part of a product.

As a starting point for the planning process, publishers using the new module will be able to upload tables of contents and to add additional planning data as a second step.

Components can be categorized individually and can be associated with individual metadata. It will also be possible to associate authors / contributors / copyright owners with individual components.

Only at a later point in the planning process, components are associated with manifestations (as products).

Managing the rights of the assets used in these granular elements is crucial, especially if the elements should be used for different purposes. The publisher needs to know exactly about the individual rights and compliance. To support this area, Klopotek has developed the Permissions and Compliance Manager, which is described below.

STREAM Application 'Permissions and Compliance Manager'

The acquisition and licensing of content assets presents various challenges to publishers. In many companies, MS Excel or Word files or individually-developed database applications are employed to manage the multitude of complex specifications and licensing agreements.

The Permissions and Compliance Manager helps you to reduce expenses, compliance risks, and vendor costs, while increasing the quality and value of your assets. The browser-based solution runs on Klopotek STREAM, a cloud-based technology platform for optimized user interaction on desktop computers and mobile devices.

By utilizing the MarkLogic database platform, the Permissions and Compliance Manager enables you to manage every aspect of metadata necessary to acquire licenses, to track their use, and to manage compliance.

Klopotek developed this solution to tackle the complexity involved in complex licensing agreements for content assets – a reliable solution which contains all of the required content and asset metadata, all of the required license metadata, and which provides this data accurately and reliably to all parties – effortlessly and automated. It features a central repository which ensures that all related information is always accurate and always available to the user who need this information.

The Permissions and Compliance Manager enables publishers to provide access to their various content elements, as accessing these elements is always in line with the agreements made with rights owners.

Not a single competitor of Klopotek can offer a solution like this. It is available as a stand-alone solution or in conjunction with other Klopotek products.

Online Business Models in Klopotek O2C (Order to Cash)

Klopotek O2C supports all common distribution models of the publishing industry. The models are implemented by configuration, so it is always easy to add new models (and we're always working on offering new models). Our customers benefit from the fact that our systems are continuously being enhanced for a client base of 350 publishers. All investments and nearly all paid change requests are done for the Klopotek standardized software, so all customers benefit from these investments and enhancements.

Apart from supporting traditional distribution models for print products (and, by extension, the models for 'non-material' products), handling hybrid distribution products is extremely im-

portant. In order to record these products and to process them in the system, relevant basic dimensions have to be defined first, e.g. in the dimension of physical representation: 'haptic' or 'virtual', in the dimension of service provision: one-off or subscription, and in the dimension of product composition: individual/separate or combined?

To illustrate this, several distribution models are outlined below:

■ **Online Subscriptions**

An online subscription applies to exactly one online distribution product. Single uses can be processed based on so-called 'use accounts' (points-based system).

■ **Bundles**

A bundle is a combination of products for a price which contains at least one subscription product.

■ **Optional offers**

During the process of ordering an object or a bundle, additional offers can be made in order to generate additional sales.

■ **Distribution models**

Distribution models are used for defining combinations of different products (sets, packages, themed packages). The price is determined by adding the individual prices of the individual components.

A few remarks on the bundling model and the dimensions which are relevant:

- A bundle is a combination of products for a price which contains at least one subscription product (mandatory component). It can be ordered by customers as a subscription.
- Components of a bundle can be subscription products (e.g. journals), one-off products (e.g. books), combined one-off products (sets), and combined subscription products.
- Prices are determined on the bundle level (prices are not determined for individual components).
- Klopotek can guarantee correct tax treatment for all bundle products.

Klopotek can also guarantee that authors will receive the correct royalties that are due for bundle sales.

Klopotek Analytics – the new tool for reporting and analysis

Klopotek-Analytics enables you to unlock the analytical and strategic potential of the data you manage in Klopotek. The drag-and-drop tool provided for creating interactive reports is powerful yet easy to use. It enables the user to quickly add elements to their report and format as the user deems appropriate. No technical expertise is necessary to create interactive reports. Your reports can be displayed in a dashboard.

Klopotek Analytics also offers state-of-the-art BI reporting and analysis. The simplified and interactive approach empowers business users to access, discover and blend all types and sizes of data.

Monitor key performance indicators from multiple areas of your organization – including the area of Contracts, Rights & Royalties – with dashboards. The intuitive drag-and-drop dashboard design makes it easy to include charts, graphs and interactive reports. Prompted filters allow users to instantly narrow their focus to specific segments.

Important to know: Klopotek Analytics is an essential part of the STREAM strategy but also and expands existing reporting for Klopotek's Classic Line.

Summary

We are convinced that Klopotek publishing solutions ensure that our customers have the right perspective on the challenges named above and that investments made by our customers in our products help to future-proof new and emerging business models of these companies – even if some of these topics and models are currently not at the top of their agenda.