



BEST PRACTICE IN INTELLECTUAL PROPERTY MANAGEMENT: trends and analysis



Grasping the opportunity in a changing market

Successful businesses understand that radical market change presents both risk and opportunity. For those who can align themselves to new market demand the rewards can be huge; for those that can't the effect can be catastrophic. During times of radical change the hallmarks of success are the ability to respond quickly and effectively, combined with the willingness to experiment. These characteristics tend not to be associated with big companies, although large companies possess other attributes that give them advantages over their smaller rivals – not least the advantages of scale. The challenge is therefore to act big, but to think small.

2008 sees the media and entertainment industry midway through such a period of radical change, as technological innovation fundamentally alters the way in which content is consumed by customers and presents a wide range of new distribution channels.

Change is not a new phenomenon in this industry. It has already weathered much technologically-stimulated transformation – from the advent of printing to the birth of television, and everything in between. Today's major content players have survived and prospered amidst the relentless introduction of new types of media, new distribution channels and new technologies, and have successfully responded to huge shifts in consumer demand.

Now, however, they face arguably their biggest challenge and opportunity to date – the transition to the digital market. And with large content providers forecasting a significant uplift in revenues from digital content, 2008 may very well turn out to be a landmark year in this transition.

No-one can afford to be complacent in this challenging and fluid market. A lucky few are quietly confident. Most companies, however, have varying degrees of concern about how they will cope with the inevitability of change, the consequences of platform

proliferation and the effects of new and uncertain shifts in user demand on their business models and IP management. The lack of certainty has impeded investment in some companies, causing them to delay spending until a clearer picture of the future market and its demands have emerged. Others have tried to cover all the possible outcomes, and have seen both their costs and the complexity of their supporting infrastructure increase, due to their tactical investment strategies.

The good news is that industry consensus is now emerging about future business models and the technical requirements of supporting them. Best practice, gained from considerable hard-won experience, is now available to guide companies on their journey and help maximise the effectiveness of their technology investment. What's more, IP management has been identified as such a pivotal issue for commercial success that it now has board-level attention and support. The race to tap the huge potential revenue streams on offer has started in earnest.

If you are considering how to improve your IP management, this report provides vital insight including:

- Why IP management is vital to success in the digital market – highlighting the issues that all companies should be aware of.
- Key trends in IP management – analysing the most pressing priorities and concerns of content providers.
- The golden rules of successful IP management – revealing our top tips to successfully exploit IP in the digital age, gained from the combined experience of thought leaders at Capgemini and SAP.
- Next steps – a guide to how you can find out more about IP management in the digital age and participate in future networking opportunities and high-level collaborative research.



“The number one issue with regard to rights management is clarity – clarity as to what rights we've acquired and of the current inventory of rights.”

John MacGuire, Head of Corporate Systems, BBC Worldwide

¹For example: Disney's CEO Robert Iger has forecast that his company will see digital revenues grow from \$750 million to over \$1 billion in 2008. Beth Comstock NBC Universal's president of Integrated Media stated in January 2008 that she expects her company to pass \$1 billion in digital revenue by the end of the year.

Why rights management is key to business success in the digital age

The effects of a major content revolution are now being felt across the media and entertainment business. Technology has lowered the barriers to market, fuelling a boom in user-generated content (UGC) and enabling content creators to experiment with direct-to-market strategies. At the same time technology has created new opportunities for content, as well as a proliferation of new routes to market and a large range of innovative content applications.

Promising new opportunities are being presented by social media and user-generated content, mobile rich media and digital advertising amongst others. Media and entertainment companies are positioning themselves to exploit the opportunity by aggressively pursuing a multi-platform distribution model for their content. However, to be successful this needs to be accompanied by a sophisticated and scalable solution to manage IP rights and track their exploitation across multiple platforms.

As technology lowers the barriers to market entry, agile and disruptive players are appearing in both traditional and new markets. Hamstrung by the sheer weight of their content assets and legacy solutions, many large, established content providers are struggling to get to market quickly and to fully exploit the opportunities presented. Sub-optimal rights management is a major headache for them and plays such an important role in future commercial success that it is now high on the boardroom agenda.

Over the last few years two main investment strategies have been employed by established media and entertainment companies. Some have employed a wait-and-see approach, choosing to delay large-scale investment until there is more certainty around business models and channels to market. Others have taken an opportunistic and tactical route to market, employing siloed or bespoke solutions and experimenting with emerging opportunities.



As user demand builds, however, further delay in investing in adequate IP management solutions will seriously impede companies' ability to compete in new markets. This is because the business is currently fragmented and manually-intensive, and legacy IP management solutions are struggling to scale or extend their scope to cover new niches. Legacy systems were designed for a different business paradigm when media and entertainment companies could exert considerable control over the way content was formatted, distributed and delivered. Moreover, the proliferation of multiple vertical solutions, and the use of outdated technology (such as old, custom-built solutions, spreadsheets and databases), means that companies lack an integrated enterprise-wide view of their IP rights to support their multi-channel distribution strategies. Failure to exert adequate control over rights management risks disintermediation or companies falling behind more agile competitors.

Figure 1 summarises the risks of getting IP management wrong, as well as the benefits of getting it right.

“A key priority for us is achieving metadata consistency.”

Pam Williams, Picture Workflow and Metadata Manager, News International

Why rights management is key to business success in the digital age (cont.)

Figure 1 Risks and opportunities from IP management

Risks from poor IP management	Opportunities and benefits from good IP management
Opportunity cost high – failure to fully exploit assets	Increased visibility and clarity supports full exploitation of commercial potential
Risk of disintermediation	Increases value of proposition to content creators and other partners enabled by powerful online analytical capabilities
Slower time to market	Faster time to market
Higher risk of human error	Lower risk of human error – technology supports human effort
Cost of legacy can be high	Opportunity to lower cost of legacy solutions
Cost of manual effort high	Opportunity to minimise human effort and place it where it adds most value
Inability to scale	Greatly enhanced scalability – able to handle more assets, more finely cut rights and greater scope
Inability to handle major new content types such as UGC, long-tail services and emerging channels	Flexible and agile solution can handle both emerging and future content types and channels, and support product innovation
Cost of content high due to increased due diligence costs	Cost of content is lowered because rights information is clear and visible, reducing the cost of rights clearance
Errors in royalty payment result in loss of revenue and loss of partners	Accurate, timely royalty payments attract the best content partners and drive growth
Flawed financial information breaches legal requirements such as compliance with Sarbanes-Oxley Act	Accurate, current and accessible data supports compliance

The risk of disintermediation is particularly acute. It has never been so easy for content creators to go direct to market². The unique selling point of large entertainment and media companies is that they offer the possibility of maximising the exploitation of content while minimising the effort to content creators. Being able to produce valuable and up-to-date insight into content usage and royalty status, combined with effective royalty management processes that ensure content creators get paid in a timely and accurate manner, are a valuable part of a the market proposition of such companies. The ability to do so means they are likely to attract and retain the best content partners, thereby maximising their own commercial potential. Accurate payments, as well as the insightful analysis yielded by powerful online analytical tools, rely on the availability of comprehensive, accurate and up-to-date transactional data,

which many companies currently struggle to produce due to siloed architectures and manual steps in their rights and royalty management processes.

Poor royalty management also risks companies falling foul of financial reporting requirements such as the US's Sarbanes-Oxley Act. The consequences of non-compliance with Sarbanes-Oxley fall on an individual named director, increasing the pressure for companies to resolve their problems. Other legal risks resulting from poor IP management include copyright infringement and unexercised options within agreements.

Standardising on a modern IP management solution that is integrated with companies' financial solutions can however, deliver the robust, scalable and efficient solution that will drive revenue growth in the digital age.



²2007 saw high-profile examples of content creators going directly to market. For example, Radiohead released its seventh album *In Rainbows* as a digital download, allowing customer to choose how much they paid for it. Although the band's management has not released official sales figures, their lead singer Thom Yorke has stated that the band's profits from the digital download of *In Rainbows* was more than from all their other albums combined.

Current trends in rights management

Capgemini and SAP have undertaken a programme of research into the current and future status of IP management in large media and entertainment companies in the UK. This includes hosting two high-level events on rights management and commissioning primary research on the challenges faced by media, entertainment and telecommunications companies.

From our direct experience of working with a range of media and entertainment companies supported by the findings from our research programme, it is clear that a consensus is emerging amongst thought leaders in rights management concerning common challenges and how these can be addressed. Content companies perceive 2008 to be a pivotal year during which critical decisions will be made concerning IP management. In this section we present key findings from our research outlining the primary concerns and investment priorities of a representative range of large UK content providers.

Key concerns

Our research programme suggests that while companies believe the digital market presents considerable new opportunities, execution challenges are impeding their ability to fully exploit it.

- 93% do not think their current method of rights management is sufficient to support new and evolving business models.
- Scalability issues are high on the agenda, in particular the ability to manage increasing numbers of contractual relationships – 87% highlighted this as a key concern.
- 87% are concerned that they may not be compliant regarding the misuse of their content, of which 67% are ‘concerned’ and 20% are ‘very concerned’.
- 73% of respondents do not have a rights management system in place for user-generated content; although 70% of those that don’t have one in place consider user-generated content within their rights management strategy.



- The biggest barriers to exploiting new opportunities in the digital marketplace were cited as internal silos (67%) and lack of metadata standardisation (60%).
- Master data management of rights and content was identified as the most critical area for improvement by 67% of respondents, with 60% saying that they expected substantial spending on this area in 2008.

Implications and key initiatives

The role of metadata is seen as particularly important. Participants in our IP management events highlighted the problems with capturing metadata. The consensus was that it was vital to capture metadata as early as possible in the content lifecycle, but participants expressed concern that investment made in production is not tied to accuracy of rights information about the content produced. The group acknowledged that process changes were required and suggested that production teams should be incentivised to ensure metadata is accurately captured at the point of production. To be successful this requires training and changes to roles and responsibilities to ensure that production staff understand the importance of metadata capture to the organisation as a whole, and the role this plays in the commercial exploitation of content.

Current trends in rights management (cont.)



“Rights are not future-proofed – there will continue to be the need to retrospectively add in new models of exploitation.”

Mike Stemmings, Evolve Program
Director, EMI Music

Participants agreed on the vital role of technology in successful IP management, but highlighted the vulnerability created by poorly keyed in rights data. It was suggested that the type of staff typically used to capture rights data – the youngest, least experienced, or temporary staff – was fundamental in causing inaccuracy. This issue is particularly relevant in the context of solution consolidation, as currently there is significant keying in of data from legacy systems.

Many companies have realised that the downside to efficiency initiatives designed to drive down the cost of capturing data is that the accuracy of the data captured declines. In the long run this leads to a range of problems, including higher costs resulting from the requirement to find and fix inaccuracies. Human error can also result in overpayment of royalties and non-compliance with legal requirements. Given the vital nature of rights data, companies are therefore well advised to consider the balance of efficiency versus accuracy when designing their rights management processes, and where possible to use process and technology to support accurate data capture and governance.

Respondents to our research programme also told us about their key investment initiatives.

- 67% say that significant IT budget will be spent on content distribution; while 60% will be spending significant sums on master data management.
- Of those concerned about managing increasing numbers of contractual relationships, 69% say they will be changing the systems they use to handle rights or content, and 46% will be changing their processes and structure. 31% will be building relationship with other companies to help manage the load.

The golden rules of successful rights management in the digital environment

Capgemini and SAP have unrivalled expertise in designing and implementing processes and solutions for state of the art IP management. While there is no single recipe for success, some key pieces of advice hold true across a wide range of projects.

Embrace change

The media and entertainment industry is surfing a wave of change that isn't going to run out of momentum any time soon. Accepting the inevitability of change means that you can plan for the consequences by building flexibility into your IT solutions and agility into your business processes.

Automation is essential to lower costs and achieve scalability

Automation is vital to cope with the increasing numbers of assets that need to be managed, as well as the increasing granularity and scope of associated IP rights, and the sheer volume of transactions. Automation offers the potential to increase an organisation's ability to fully exploit the rights it holds, while decreasing the cost of managing them and reducing the effects of human error. However, it is important to recognise that human effort is still needed at certain vital points in the process. Rights clearance, for example, will always require sound commercial judgement and rights data will still need to be keyed in. It is therefore vital that human intervention is concentrated where it can deliver the most business value or where there is no alternative. Technology can help maximise the effectiveness of human activities in a range of ways – for example, implementing workflow technology ensures decisions are made in a timely fashion and according to business processes.

A successful solution will encompass people, process and technology

Overall success ultimately depends on the successful fusion of people, processes and technology. End user buy-in is essential to the success of any IT system. By investing time and effort into a good user interface, for example, you increase the likelihood that end

users will adopt rather than undermine your IP management solution. Maximising end user buy-in involves ensuring that end users are consulted during interface design and that the solution reflects the way in which they work. Likewise automating a poor business process will simply result in a faster but no more effective process. Before implementing a new solution it is wise to consider whether your current business processes could be tweaked or overhauled to deliver better results. This can be achieved by performing a rights management health check that incorporates both processes and solutions and produces a roadmap for improvement.

Avoid the big bang, try managed evolution

It may be tempting to attempt a big bang solution to your problems rather than risk falling behind your competitors. The good news is that it's no longer necessary to employ such a high-risk, high-cost strategy. Flexible IP management solutions can accommodate future changes and additions – for example, allowing you to add or change workflows – enabling you to start with the area(s) that most urgently need to change and that will deliver the greatest business benefit. Delivering a more defined project increases your chances of success and of proving ROI, allowing you to get to the benefits of your new solution faster. By establishing common processes you can then build on this foundation to add lines of business incrementally.

An enterprise-wide view maximises commercial benefits

Clarity over rights held, and enterprise-wide visibility of these rights, is key to maximising their commercial potential and minimising costs. Many content providers are currently managing rights across a number of disparate databases and solutions and need to consider how they can tie existing systems together in order to provide an enterprise-wide view.



“Ensuring that rights are expressed in a consistent and unambiguous manner in all contracts is of vital importance.”

Mike Slemmings, Evolve Program Director, EMI Music

The golden rules of successful rights management in the digital environment (cont.)

There are two main methods to achieving this: migrating IP data to a new or consolidated solution, or achieving a consolidated view while maintaining legacy solutions and datasets. In the short term, being able to achieve a consolidated view without the necessity to migrate data will deliver immediate benefit. This may be the preferred long term solution, or may be a stepping stone to a physically consolidated dataset and/or solution. In the longer run a consolidated, enterprise-wide solution is highly desirable as it yields a number of important benefits, including the ability to drive down costs, while increasing efficiency and performance.

Standardisation and collaboration will drive down costs and speed time-to-market

Standardisation and common processes are essential to success now, as well as supporting future evolution and business agility. While geographical differences will remain due to the effects of different legislative regimes, standardisation is useful at many levels - both within an organisation as well as across a supply chain. For example,

lack of a common product hierarchy makes it very difficult for an organisation to tell whether they have the rights at a component level to do what they want with the content. By agreeing a common product hierarchy at the start, organisations benefit from a secure foundation onto which they can add lines of business incrementally.

While a range of industry standards are available to support standardisation efforts³, the proliferation of standards means that collaboration between supply chain participants has a vital role to play. Using a standard approach within a supply chain means companies don't have to do everything themselves, but instead can pass part of the responsibility to partners and clients. This can take the form of establishing a common language about products and rights across the industry, for example, or agreeing a standard set of product and component definitions. This type of collaboration offers huge commercial advantages by driving down costs and speeding up time to market, benefiting all participants.



³ These include metadata standards such as ODRL and MPEG21, and identifier standards such as ISRC, ISWC, CAE Number and ISAN.

Next steps

Want to find out more? Capgemini and SAP can help you in a number of ways:

> Join our mailing list to ensure you get the latest rights management research

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> Request a one-to-one briefing or IP management healthcheck to benchmark your IP management strategy and discover the next vital steps your organisation should take

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