



Case Study: Discovery's Rights Management Investment Means Agility

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Discovery Communications, like many media companies, had to upgrade a manual rights-in/rights-out clearance process for licensing content in the face of new content distribution opportunities with TV service providers and online video.

Key Findings

- Complex and numerous contracts define both the creation of and distribution of movies, TV shows, printed material and music.
- Consumer demand for video via new online and mobile distribution channels are taxing the systems that movie studios, TV networks and other media companies use to track distribution rights.
- Automating a rights management system is not just a matter of contract hygiene – it's as much about providing the company with the appropriate tools to compete in a rapidly changing marketplace.

Recommendations

- Media companies working with rights management platform vendors must ensure that they design in and demand flexibility and future-proofing – looking beyond the set of required features and functionality to meet current needs – to ensure that the platform can easily respond to and support new market opportunities.
- Media companies developing an automated rights management system must have a solid “rights tree” – the defined hierarchy of attributes for each title and a standardized set of definitions for the key attributes of a title.
- Vendors pursuing opportunities with media companies looking to develop automated rights systems must view deployments with media companies as an opportunity to evolve the platforms they're selling as much as a chance to sell them.

WHAT YOU NEED TO KNOW

Discovery was able to transform its rights management infrastructure by working with RSG Media Systems to deploy an automated rights management solution that enables Discovery to more rapidly respond to requests to license and repurpose its content on multiple platforms and markets. A collaborative relationship, clear strategic direction from the client, including identifying expected future enhancements, and a strong metadata foundation were factors for success.

CASE STUDY

Introduction

It had come down to the most basic of justifications for automating a largely manual legacy system: keeping up with new business demands would mean hiring more people.

Managing the distribution rights for Discovery Communications' programming – some of the most popular and durable channels on cable, including the Discovery Channel, TLC and Animal Planet, had become so complex that its business operations team realized the situation demanded a faster, more accurate way for Discovery's sales team to license and sell to TV and new media service providers in the U.S. and worldwide. The complexity of managing distribution rights is still immense. Consider the following:

- Discovery is the world's No. 1 nonfiction media company, reaching more than 1.5 billion cumulative subscribers in more than 170 countries.
- The company's 100-plus networks of programs include the Discovery Channel, TLC, Animal Planet, the Science Channel and Planet Green.
- Content assets include a library of more than 100,000 hours of high-quality programming and footage.
- Discovery has customized programming in 35 languages; 26 distinct entertainment brands and more than 23 international high-definition television (HDTV) channels.

Like all sectors of the media industry, Discovery confronted the challenges of adapting to online distribution and its nonlinear nature. In research published in 2008, we noted that, as important as the rights issues are, many IT professionals and some executives told Gartner that they didn't believe the challenges of rights management was a clearly defined strategic priority. That perspective was underscored in a recent report issued by Capgemini and SAP, which noted that 93% of the technology and media company business executives interviewed said they believed their current methods for tracking rights management were not capable of supporting new and evolving business models.

The Challenge

About three years ago, Discovery's legal/business affairs and IT departments came to the conclusion that the company's home-grown rights-in/rights-out management system was at risk of being overwhelmed by demand. Generally, this is not a bad problem to have.

However, interest from international TV service providers that wanted to carry Discovery's content was growing at the same time that the online video sector was showing signs of explosive growth. Short of automating its rights management system, the only way

Discovery could keep up with the demand was to continually add new head count to its team of rights analysts who were responsible for clearing the so-called rights-out agreements.

"Our executives saw it as a retooling of the infrastructure," said Barry Dubin, the IT director who led the technology evaluation, vendor selection and solution implementation phases of the project. "We told them that, if we didn't make the investment (in upgrading the manual system) we'd be paying for a larger and larger share of the operations budget," because of the need to hire additional rights analysts to manually check distribution contracts. The executive vice president of legal and business affairs served as the project sponsor and liaison to senior management across Discovery's network finance and operations teams. Dubin noted that having a sponsor with deep knowledge of the media industry and solid relationships across the business saved a great deal of time in the process, because he clearly understood the problem and the potential opportunity.

And this was no small problem. Keep in mind that the contracts for each show – including contracts for on-screen talent, narrators, producers, directors, equipment, camera operators, audio engineers, writers and so on – are effectively statements of record, and each of those contracts has to be reviewed for each new distribution agreement for the show. Multiply those records by the number of episodes for a given show over multiple seasons, and the result is millions of different records that have to be tracked. Then consider that all that must be tracked against each distribution agreement for all channels – from cable TV agreements, to online distribution to sales of physical DVDs. And then, all of that has to be tracked across multiple service providers (which license the programming to air on their systems) operating in different regions of the world.

The result is a requirement for a media company, such as Discovery, to track a complex set of interconnecting agreements between creators, licensing bodies, service providers, performance rights organizations (such as those representing music publishers) and distribution service providers. Conversely, the ability of companies like Discovery to take advantage of new revenue opportunities is directly linked to their ability to rapidly secure distribution deals virtually all of which are time-sensitive. If Discovery's sales team doesn't respond to license requests in a reasonable time, the potential client will move on to another source to fill programming holes.

Greg Fioravanti, vice president of business affairs, who served as the business lead for the project, knew that the current process for clearing distribution deals started with the rights analysts manually reviewing the existing distribution contracts to see if the requested program was available to be licensed. Not only did the manual process often take days or even weeks to fulfill, but the old system also created redundancies in records. Because content licensing deals involve multiple business units in these transactions – IT, sales, finance and legal – each would have a solid grasp on its

part of the value chain but not the whole chain. The result was that simple yes-or-no responses to questions about a title's availability to be licensed were next to impossible to get in anything less than weeks or months.

Discovery also wanted to open up the rights management system's output to employees outside of the company's legal department. The objective was to build a system to allow nonlawyers or licensing rights analysts to be able to get a yes-or-no answer to queries about a whether a given show was available to be licensed for exhibition (an example of rights-out) or whether a set of the appropriate licenses had been struck for use of songs in a show still in production (rights-in). This approach is somewhat different than that employed by other media companies, which specifically confine oversight and control of rights-in/rights-out information to the legal department.

Approach

After nearly a year of evaluating five different vendors, including Sophoi and SAP, to solve Discovery's challenges, including proof-of-concept systems from two separate vendors, Discovery settled on RSG Media Systems and its RightsLogic platform. Discovery noted that, while other vendors have platforms designed to deal with rights management transactions, Discovery needed a partner willing to tweak existing components or, in some cases, develop and add new functionality.

RSG had to confront three key requirements from Discovery that, in the end, required some new capabilities to be added to the RightsLogic platform:

- **Extend the system's data model to include any and all asset types.** What Discovery wanted was not just a definition of a show and its various episodes, it also wanted a system that tracked all the components that comprise a completed show and series, such as clips, music commissioned or licensed for use in an episode, and talent waivers.
- **Parse the rights trees of available rights into separate silos to make them more mutually exclusive and granular.** For example, in many rights trees mentioned earlier, one of the core branches is the "venue" – the place or the way in which an episode is to be exploited or shown, such as broadcast TV or the airline versions. The Discovery team noted that by removing "venue" from the core rights tree, and defining it separately, the company would have the flexibility to define venues in myriad ways. This was a crucial insight, considering Discovery's upgrading of its rights system started in early 2006, because what it foresaw was the fragmentation of distribution channels driven by the Internet and the growth in online video.
- **Build the notion of "related agreements"** into the system. Any film or TV show, including Discovery's stable of shows, generally comprises material that is controlled by some form of contractual license. Discovery wanted its system to be able to surface "related agreements," allowing the network to know how licensing terms for individual items related to and influenced how the completed work (a segment of an episode,

the entire episode and so on) could be exploited. For example, elemental agreements might involve getting the rights to a piece of music used in the show. In the old system, a clerk reviewing contracts for a season of a show might not be able to note that a piece of music used in 15 seconds of the third show of the season was only licensed for use in the original broadcast of that season in the U.S. market. If that distinction is not observed, any future licensing of that episode to, say, a U.K. broadcaster looking to air it on an IPTV system, would, in effect, put Discovery in violation of that original licensing contract.

As Dubin noted, "It was more of a development engagement than it was a –software licensing deal." Discovery took time to figure the right dimensions of the solution required to solve current issues, and to ensure that the system was and is flexible enough to adapt to future needs. Architecting the solution was made a bit easier, because Discovery had already developed a solid media tree – a defined hierarchy of attributes for each title and a standardized set of definitions for the key attributes of a title.

Perhaps the key step Discovery took early in the process was to do what Gartner has found to be the most daunting step for many other media companies looking to automate their rights management systems: manually reinputting the elements of thousands of contracts and rights-in license agreements. This process lasted almost two years and represented a significant part of the entire automation process.

As the final step in the process, RSG Media Systems worked with Discovery to create a rights clearance report that pulls together all the information managed by RightsLogic and processes it into a useful view of Discovery's assets. The rights clearance report provides a complete view of all the elements that comprise an asset, such as a series (or an episode), and then complete snapshots of how that asset is currently being exploited, including whatever restrictions are in place. Among the elements the rights clearance report includes are exclusive licensing agreements and expired elements.

The RightsLogic system also provides a view by genre, platform, territory and various other search criteria. For example, a user may look up which assets in a specific genre are available to be licensed to iTunes stores in various regional markets. Another example of the granular information the system can provide is clear distinctions between "fully cleared" and "partially cleared" results. A "partially cleared" asset alerts Discovery that there is something in the search that is cleared, but there is another element or right that is causing the system to display a restriction on the asset. This kind of fine-grained view is important, given the multifaceted, complex nature of contracts.

Results

Put in simplest terms, what RSG gave to Discovery was the difference between making well-informed business decisions rapidly, instead of days to a week or more. It is important to note that these rapidly returned results need to be reviewed given the inherent complexity of any set of rights contracts and so on.

Queries used to take a week or more to process to the point where Discovery would find that an element of the program had not cleared for reuse (beyond the original broadcast), which would then start another lengthy process to resolve that particular licensing issue. In the end, what RSG and Discovery were able to develop was a comprehensive, relatively easy-to-operate system to see, in effect, what the company's content inventory position is at any given time. For example, an inquiry from a potential licensee about a program that is available for a given territory, during a given time period and via a specific platform (for example, cable- or satellite-based video on demand [VOD], or online VOD). However, one element of the program – say a piece of music licensed for the original usage of the program – might have expired.

Before RSG, getting to that answer might have taken a week or more for a rights analyst to answer. With the RSG Media Systems solution, Discovery is able to sometimes get that answer in 15 seconds or less.

Critical Success Factors

The most important factors of success for Discovery were:

- It sounds trite, but it's true: Discovery had a vendor that was willing to work in a very collaborative way, including adding significant new functionality based on the client's input and requirements.
- There was an executive champion to rally the senior leadership team and make the case for ambitious projects.
- Discovery had previously invested in creating a robust and complete "media tree." Having a solid media tree – which effectively serves as the lingua franca of the whole system – was a significant asset for RSG to build the solution around.
- RSG then had to make the rights trees flexible to support future rights and the hierarchies and terminology of additional clients.

Lessons Learned

For Discovery and RSG, the lessons learned were fairly straightforward:

- A client with a clear strategic vision and the awareness that complex systems require flexibility on their part are as important to a vendor as the technology arrayed in the product platform.
- Extensive courtships can result in better projects. Discovery's vendor evaluation lasted more than a year, involved five vendors, two of which had to respond with detailed proof-of-concept for their platforms. In the end, the time Discovery spent with RSG's staff gave it the confidence to make the investment in the RightsLogic platform.

Follow-up matters. The inherently complex nature of these distribution rights and associated contracts is such that Discovery and RSG are continuing to work together to refine the system. This underscores the importance of developing an ongoing relationship rather than a once-and-done, one-off approach to automating the rights management data capture and clearance process.