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RIGHTS MANAGEMENT FOR THE DIGITAL AGE

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Rights Management for the Digital Age

With content worth billions of dollars under contract, media companies increasingly look for better rights management. They demand integrated windowing, financial reporting, and analytics to drive significant increases in revenue across linear, VOD, and digital streams.

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Abstract: In this paper, we explore:

- Business and financial drivers in $500 billion rights market that are causing media companies to adopt aggressive rights management strategies
- State of the technologies
- Emerging opportunities for rights holders, and
- Barriers to effective rights monetization.

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Being a media company has never been so full of opportunity, yet so complex and challenging. Gone are the days when viewers sat on the couch, mindlessly watching linear programming, happy to be fed everything on a fixed schedule. Now consumers seek out what they want, when they want it, toggling between devices, juggling time slots, and choosing from streamed, stored, and broadcasted content.

This change in viewing habits has created a huge financial opportunity. According to an Ernst and Young analysis, digital revenue for mobile streaming and online downloads is expected to grow over the next 2-3 years by 33% and 30%, respectively. The filmed entertainment industry expects online streaming revenue to grow by 30%. It's clear that the industry is making the upgrade to digital platforms—albeit some faster than others. What is less clear is how they will make money and thrive.

Each new opportunity adds new costs. And, the complexity of the deals, limited only by the imagination of the dealmakers, grows exponentially. This is true for sports with its complex rules regarding windows, catch-up, clips, packages, and on-demand. It is true for news. It is true for entertainment, both scripted and unscripted. The cost of quality content keeps climbing as what people are willing to pay plummets.

How do media, production, and broadcasting companies manage their business in this environment? In short, they must take a venture capitalist approach to content: acquire content as an investment and generate a proper Return on Investment (ROI) on the portfolio. With billions of dollars at stake, just a single-digit percentage can account for millions of dollars of increased revenue. This means aggressively seeking out every possible monetization opportunity, while plugging every revenue leak. To accomplish this, organizations must upgrade how they do business, upgrading their technology platforms for the digital future, streamlining their digital supply chain workflows to reduce operating expense, and adopting new tools to better evaluate content performance.

The good news is the parallel maturation of back-office technologies is enabling media companies to adapt and thrive in this new complex world. Those companies that automate their content lifecycle, from deal inception through play-out and reporting, regularly demonstrate significant advantage. Still, it is evident that many, if not most, media companies still leave millions of dollars on the table.

Media companies need to adapt their approach – and technology – to prepare their business for a multi-channel, multi-platform, massively complex, digital age.

State of the Technology: What to Demand from a Rights Management System

The changes in the modes and formats of digital media are increasing the potential market size of digital content worldwide. Yet, too many media companies are missing the opportunity to change their strategy and take advantage of these shifts by focusing on rights management technology.

"There is a shift in the (media industry) system," says Seth Tuma, Global Digital Video Strategy

Lead, Accenture. "It's putting more emphasis on the rights models and how you make money. Making the rights world easier to manage is very important. The worst thing that can happen is you have a system that's not as flexible."

It starts with the technology. A state-of-the-art rights management system must address a wide range of challenges and complex needs, and plays a critical role in the stages of the media supply chain (see chart on next page). Here are some of the key issues a rights management system needs to address.

Managing Content across Multiple Deals: Elemental Rights, Restrictions, and Obligations
In many parts of the media industry, companies are not prepared to handle multiple versions of content with many different forms of rights, restrictive elements such as music, and counter-party obligations. If one wants to put ones content on new platforms, the complexity multiplies, and one may need to purchase additional rights. 10 years ago there was much less of this; today, one requires a rights management technology to track everything.

Windowing and Scheduling Deals
These days, with so many viewing platforms, windowing is a necessity. Any legitimate rights management system will track release dates and automate distribution to every platform including linear, VOD, and digital. It should make it easy to set the rules for windowing and help programmers discern the most advantageous windows.

Think of all the different aspects to windowing:

Event triggered rights (e.g. Catch up VOD): A robust system has the ability to trigger rights on specific events. A basic example would be having a catch up VOD window for each episode of a TV series immediately following the linear airing.

Clips: The rights system should enable companies to cut and repackage content for their non-linear and digital platforms. This has been extremely prevalent for sports content. Typically, sports programming is cut into clips (i.e. highlights) to use on websites and apps that can have granular rights for authenticated subscribers vs. non-authenticated subscribers.

OTT: The cord-cutting phenomenon from OTT providers has put increasing pressure on MSOs and TV Networks to up the ante with multi-platform distribution. This means giving their subscribers more ways to get more content on more platforms, including using Internet streaming, satellite radio, and mobile platforms, in addition to more traditional cable and satellite broadcasts. Not only does rights management technology need to automate and manage distribution rules, but it needs to manage regional restrictions for sports, other programming, and consumer device-based restrictions.

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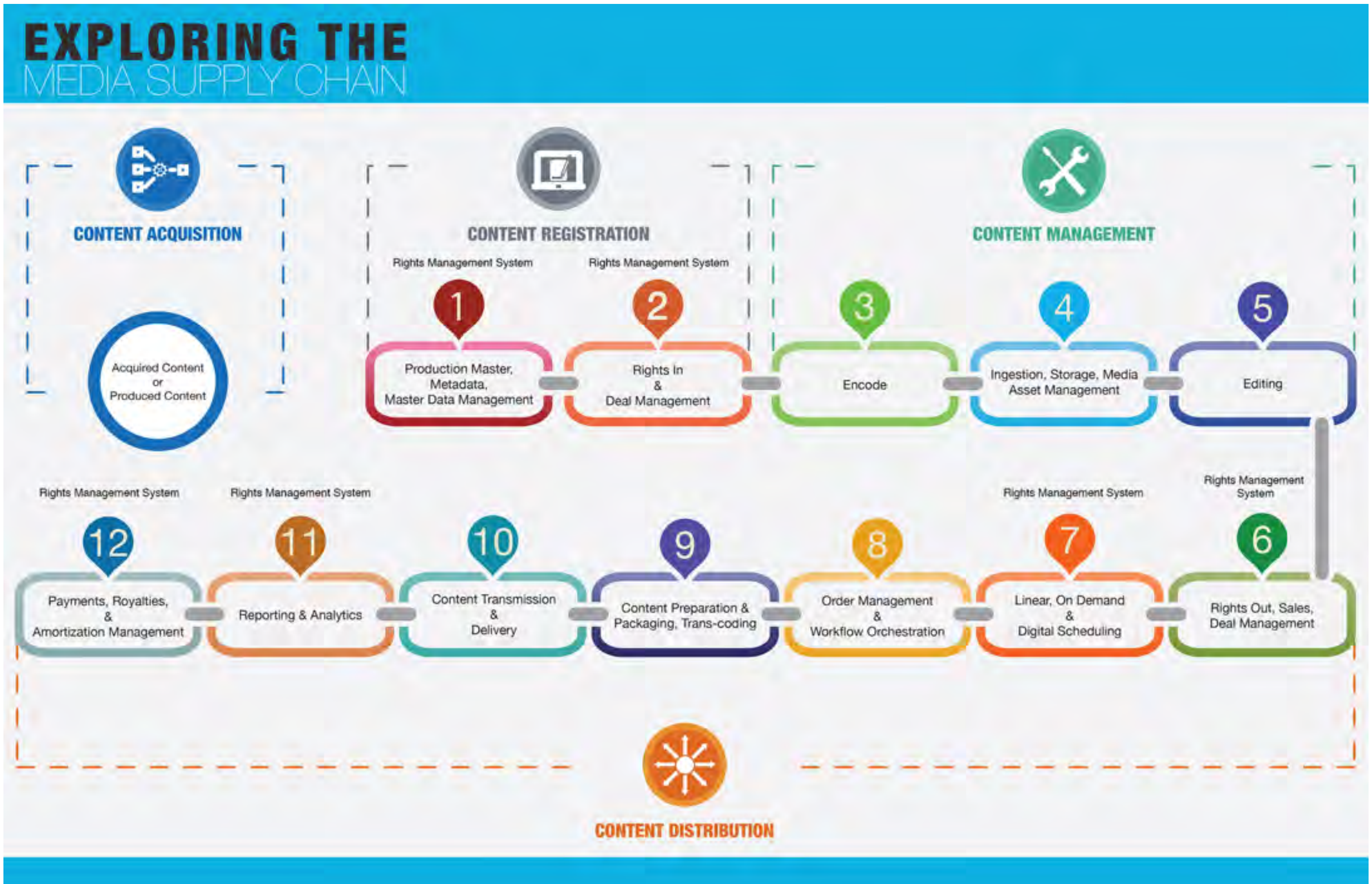
Multi-Platform Reporting
How is each asset or product performing on every platform? Because new platforms add both complexity and opportunity, rights owners require the business intelligence and reporting technology to track and analyze the performance of assets across multiple formats, including:

- Usage
- Viewership
- Revenues
- Royalties

Sales & Distribution
The sales and distribution of content through partners is an ever-increasing revenue source. This includes international distribution, distribution through non-traditional media (e.g. airplanes, cruise ships, and the like), and digital partners (e.g. iTunes, Hulu, Amazon Instant Video, HBO Go).

Inventory analysis & reporting is a critical feature. Sales and distribution is only as good as the information they have. Modern rights management systems should help them understand:

- Can I do the deal? Is this inventory available for use?



The Role of Rights Management in the Media Supply Chain

Rights management is playing a crucial role in the increasingly complex media supply chain. Better rights management practices are single-handedly enabling content owners to reach consumers faster and more efficiently over all platforms, including On Demand and digital. By having contractual rights & payment terms pre-registered in a next-generation system, they ensure their Schedulers, Marketers, Sales, and Finance teams receive the most accurate and up-to-date information, and in as little time as possible. In the end, they squeeze more value from their rights portfolio and improve ROI.

- Should I do the deal? If, for example, one sells an exclusive right to broadcast a show in Germany, it immediately blocks any future pan-European deals. A system should help identify this.

- What deal can I do? Given the constraints of a deal's requirements, what inventory is available?

- Elemental restrictions. Often the only obstacle to a deal is an easily replaced or purchased underlying elemental right. For example, the only thing blocking the distribution of a certain movie in Asia might be a 30-second music clip. Once identified, one can easily purchase the rights or replace the clip.

- Inventory recalculation. Once one sells an exclusive, the system needs to update all available rights reports, across the entire enterprise, to prevent accidental reuse.

Self-service is another helpful feature any time that speed is of the essence. This is especially true for news and sports organizations, or any group selling clips of live events. By enabling fast and easy self-service, the rights management system can produce double-digit sales growth.

Consumer & IP Licensing

Certain shows make as much money from their character licensing as from the initial screening. This can be in the form of action figures, ice shows, or farming characters out to other shows in cross-overs. As the funding models for media become more complex, great rights management systems work across media and licensing to drive revenues.

Financials & Amortization

Even the most sophisticated GL systems lack the granular sub-ledger ability to properly handle all of the financial components of standard media deals. A robust rights management system has sophisticated analysis tools, with the ability to track the total present and future value of your content. One needs to be able to tell, at a glance:

- ***Costs:*** how much it costs to acquire the content

- ***Revenue:*** what revenues to expect from each business line, distribution platform, territory, or other

- ***Amortization:*** this is especially complex given the different types of content usage

- ***Royalties and revenue sharing:*** payments vary depending on guilds, contracts, and myriad other factors

- ***Cash Application:*** how monies were applied within the company

In summary, a good rights management system is flexible, tracks to the most granular rights and all available windows of use, and gives managers and executives the actionable insights required to manage all associated financials, spanning time and delivery or distribution channel.

Emerging Opportunities for Rights Holders (AKA "Show Me the Money")

So, it's obvious that times are changing. Are you ready to make money from it?

If your rights management technology is built for a linear world and ignores these changing dynamics, the answer is "no."

"The challenge here is to monetize more effectively over multiple platforms while creating greater efficiencies over your workflow," says Joe Zaller, president of Devoncroft Partners, a digital media consultancy. "This transition is different than any other in the past, it's a transition of technology, operations, business models and culture, all at the same time." Rights management technology is the key to this approach, providing real-time accountability for the value of content assets and the rights associated with them.

Still, in their Big Broadcast Survey from Devoncroft Partners, they asked users to rank industry trends, and then to identify their top priority projects. And, in what they call the "Trend-Spend" disconnect, users identified multi-platform content delivery as the top industry trend, while the top priority project actually undertaken was to enhance workflow and asset management, not rights.

In our own conversations, the head of rights operations at a major media company told us that active implementation of rights management technology has led to double-digit revenue growth at his company, a multi-billion dollar international media company.

He said, "We've had double-digit growth in revenue over the last few years in content licensing. People have no idea what rights they are granting, and what they don't realize is how far their licenses have traveled. We're careful about it. People don't really have a handle on it and don't know what it means. They're leaving money on the table and they are losing IP value on the property."

Where do companies leave money on the table? Many places, if they don't have adequate tracking systems and workflow in place, or the tools to optimize revenue.

Here are just a few ways the industry leaders we surveyed extract new revenue with the proper rights tracking and analytical tools:

- Put content on the right platform at the right time with the help of sales & marketing analytics.
- "Slice and dice" rights to create new content from existing inventory, like sports highlights shows or documentaries.
- Track rights expirations so they don't go unused.
- Avoid overpaying for content or the accidental purchase of duplicate rights.
- Automate rights clearances to avoid lengthy contract analysis, legal pitfalls, and to speed up content distribution.
- Optimize ones operational cost-structure by incorporating related processes including program scheduling, program distribution, and financial accounting into the technology.

All of these revenue-enhancement techniques require the right technology; all produce immediate results.

Avoiding Barriers to Effective Rights Management: Tech Traps in the Rights World

Rights management technology, when properly implemented across the areas outlined above, can transform a business. Taking shortcuts, however, or using inferior technology does more harm than good. Many "light-weight" solutions offer the appearance of an effective rights management solution but without the necessary granular detail to actually be.

Moreover, because rights management technology evolved with many niche products, but few comprehensive, integrated solutions, too many products focus almost exclusively on their niche, with additional features added as an afterthought. (e.g. film production but not internet). Or, they focus too much on a related issue, such as linear scheduling, but not the underlying rights management challenges. Most systems cannot be customized easily, or at all. And, lately, many have been acquired by larger companies with different agendas.

So what is necessary? Below is a checklist of features that businesses should have in a rights management system:

- ***Net Rights Availability:*** It's very difficult to track and calculate net rights availability with all of the arrangements surrounding a production, including elemental rights and exclusivity terms. A good system can tell you what rights you own, what rights you've used up or sold off, and what rights you have left. Most systems have trouble giving you the full picture. Does your system track elemental rights clearances? How well does it handle newer rights dimensions like consumer devices, HD vs. SD formats, simulcast, geo-location access, or "rolling" on-demand episodes of a running TV series? You need a system that can analyze the whole picture and quickly communicate your rights positions to you.

- ***Fairly Valuing Multi-Platform Content:*** A good rights management system will also properly analyze and project the value of content. It will amortize content, track payments due in or out, and report revenue and royalties. The best systems integrate easily with general ledger systems, trace all transactions back to underlying deal terms, and treat all transactions in accordance with your corporate accounting principles. This means changes to your rights portfolio and usage get reflected in your accounting statements automatically; you always have an up-to-date balance sheet, and can easily view cash flow.

- ***Reporting & Analytics:*** Your rights portfolio is perhaps your most critical asset. How do you know you are maximizing your return on investment? Certain operational reports are a must. For example, your system should report on new deals in your pipeline. It should list upcoming payments due in or out. It should report on content usage and alert you when rights go under-utilized or un-used. However, in this day and age, and given the advances in business intelligence reporting platforms, shouldn't your rights management system be able to do more? The best systems offer not only flexible reporting, but data analytics to help you visualize your portfolio's performance and ways to improve Return on Investment (ROI).

- ***Integrated Usage Reporting and Financials:*** The wrong technology may fail to automate workflow because it doesn't link related business processes. Changes to your rights portfolio, programming calendars, distribution deals, and financial accounting can all impact one another. For example, updating your linear programming calendar may automatically shift your catch-up TV rights windows, which can cause unintended legal exposure. Is your rights management system a black box, or does it streamline communications between each business unit in your organization?

Recap: The Real ROI in Rights Management

We've presented many examples of how content and production companies could adopt new rights technologies to generate an immediate ROI – often in surprising places.

The ability to measure, manage, and account for the value of content rights is crucial to the modern media company. It's not just about plugging in the right platform; media companies need to redesign workflow and implement better content lifecycle management. This can provide a big payoff as markets expand into the "long tail" of digital.

About RSG Media

Since 1985 the world's leading media & entertainment companies have used RSG Media's expertise and software to maximize revenues from their content and advertising inventories. RSG Media's RightsLogic is the dominant media business rights management system; it lets content owners & distributors, gaming companies, IP licensors, and sports leagues manage and report on the content lifecycle, including acquisitions, sales, planning & scheduling, and associated financials. RSG Media's order-to-cash ad sales systems help clients plan and manage deals across all platforms quickly and easily. Its AdVant yield optimization suite uses advanced mathematics to optimize proposals, flighting, logs, and promos, significantly lowering liabilities while generating new revenues. RSG Media is headquartered in New York, with offices in London, and Delhi.

About NewBay Media

NewBay Media proudly serves some of the broadest B-to-B professional and enthusiast communities in the world through over 60 print and digital publications, including Multichannel News, which serves18,800 industry professionals in the cable television and telecommunications business. This white paper was produced by Multichannel News' marketing services arm, NewBay Plus.