Rights Management: The New Differentiator for Managing Digital Content

Media and entertainment companies can optimize revenue and enable automation by repositioning, reconstructing and reuniting rights management.

Executive Summary

As content consumption patterns in media and entertainment transform from purchase to access models, every transaction becomes a “rights” transaction. A company whose business model is based on monetizing content must realize that its core asset is the right to access that content.

In the new world of digital entertainment, intelligent rights management is, therefore, a critical differentiator. Three best practices can help companies use rights management to capitalize on emerging digital trends:

- Reposition rights management: By aligning rights management as the core system that informs other systems downstream, media and entertainment companies can create deal optimization opportunities, enable efficiencies in asset distribution and reduce liability of selling products outside the scope of rights.

- Reconstruct rights dimensions: By defining rights dimensions in a way that facilitates the complexities of modern contracts and distribution channels, media and entertainment companies can create more fluid and boundaryless ways of working. Implementing standardized terminology in the rights dimensions will enable automation and increase profit potential, particularly for lower fee deals.

- Reunite rights data: Creating a centralized, accurate and globally accessible rights database will empower enterprises with administrative efficiency and synergies among business units to create diverse offerings.

Anatomy of the Challenge

The influence of digitized content continues to create exciting consumption experiences for media and entertainment audiences. The overarching shift is from a mass consumption model to an individual one. Historically, broadcasters, record labels, studios, news organizations and publishers dictated what content was available and how it could be consumed. Today, individuals expect to consume any piece of content, at any time, in any form of media, and to be delighted in the process.

But as content consumption becomes simplified in the presentation layer, it simultaneously complicates system requirements in the background layer. New administrative complexities are wreaking havoc on the legacy systems and processes that have supported the media and entertainment industry for decades.

These challenges can be best illustrated by con-
considering their impact on rights management systems. From the user’s perspective, he or she simply wants the right to access an asset or set of assets. But in the background, the ability to rightfully deliver specific content depends on the device, format, channel, timing window, location, exclusivity, subscription type and so on. This added complexity has elevated rights management from an administrative function to the role of strategic differentiator. Companies with smart rights management capabilities can capitalize on the efficiencies offered by the digital landscape. Early adopters will win the competitive advantage.

**Background**

As consumption patterns transition from purchasing what’s physically available to accessing specifically what is desired, rights management becomes the core issue. What are the consumer’s rights in terms of how content can be experienced? What rights does the service need to hold in order to offer consumers exactly what they want? What rights does the publisher, studio, record label or broadcaster need to utilize in its products and services in order to generate revenue from content? In its simplest form, rights management means understanding exactly what content a company has acquired and what it can do to monetize it. But the inherent simplicity of rights management is being disrupted by digital trends, all of which aim to satisfy the whim of the consumer, including:

- **Proliferation of digital channels, vendors, content formats and product bundles** to offer the flexibility now required by digital consumers.
- **Increasing complexity in deals**, including restrictions, exclusions, window periods, number of participants and expirations, which correlates with the inherent flexibility available in digital products.
- **Granular data and content “chunks”** that are below the title level, such as segments, clips, chapters, paragraphs or graphics.
- **Addition of the subscription model**, which challenges the flexibility of legacy systems designed only for purchase models.
- **Desire to license and administer global, diverse rights from a single source**, which requires companies to administer rights that are not traditional to their business.
- **Explosion in transaction volumes**, which tests system scalability, as the number of deals increases and the scope and granularity of the content becomes more refined.

Fundamental changes in business models naturally require compensatory changes in business administration. The following recommendations should be considered to alleviate the administrative burden and capitalize on these trends:

1. **Reposition**: Make rights management the enabler by positioning it at the beginning of the distribution pipeline architecture, informing downstream systems of specific products and distribution options within legal bounds.
2. **Reconstruct**: Incorporate standardized, flexible rights terminology. Standardized deal terms allow systems to more easily communicate terms and conditions, which in turn facilitates savings through automation. Rights dimensions structured for flexibility allow media and entertainment companies to adapt to evolving consumption patterns.
3. **Reunite**: Empower the enterprise with global access to a centralized rights database to eliminate inconsistent information, facilitate cross-department synergies, and reduce missed deal opportunities and revenue leakage.

In the future, excellence in rights management will allow media and entertainment companies to transform their administrative pain points into profit points.

**Reposition Rights Management as the Heart of the Enterprise**

A company’s flow of information should mirror its flow of business. Just as the heart directs the lifeblood of a human, so too must the core business system drive the lifeblood of the enterprise. In a business where content is king, the lifeblood assets are the rights to content.

**The Typical Tangle of Systems**

Over time, companies have accumulated a patchwork enterprise architecture whose effective-
ness is inversely proportionate to its growth. Upon reaching the inflection point of inefficiency, most have implemented an enterprise resource planning (ERP) system to standardize the flow of information. In either case, traditional systems, such as accounting, sales, manufacturing or distribution, are typically positioned to drive enterprise operations. Nonstandard business functions, often unique by industry, are integrated from an auxiliary workflow point of view.

The media and entertainment industry has similarly followed suit. A cursory look at most companies reveals traditional architectures, sprinkled with niche systems on the sidelines. The rights management function is no exception. Such fragmentation relegates digital rights management functionality to tracking and reporting. It is used for information, not to directly influence product creation. Furthermore, diverse systems often propagate, based on organization, right type, territory or functional gap. With each new system fragment, the reliability and accessibility of rights information decreases.

Make Rights Management the Enabler
Systems and processes should be structured to mirror the flow of business. For business models based on monetizing content, the primary asset is the right to content. The ability to generate revenue from acquired content is subject to the rights received in a contract. Therefore, it is intuitive for most media and entertainment companies to position their rights management system at the core, feeding the related sales and distribution systems downstream. The rights management system should be the enabler, allowing the distribution system to know which products can be distributed, to which locations, and during which timeframes. In turn, the sales system will update the financial systems.

In addition to achieving downstream efficiencies, the rights-centric structure mitigates liability. In the traditional architecture, products are created, sold and accounted for without the checks and balances of an integrated rights management system. This is a significant liability gap that can go unrestricted until it's too late (see Figure 1).

We know of one major record label that experienced this firsthand. The music industry’s transition to digital content has caused an increase in digital channels and enabled greater flexibility in distribution. As a result, it has become commonplace for music creators to segment their digital rights among different assignees.

This record label encountered several situations in which it inadvertently distributed content to

Rights Management: Before and After

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Figure 1
iTunes for artists who had withheld their iTunes rights. Furthermore, the mistakes were not caught until after significant sums of money had already been collected and royalties had been paid on prior statements. This mistake occurred because the rights management system was not integrated with the sales and distribution systems. Repositioning the rights management system at the core could prevent such breaches before they could occur.

The Power of One
When realigning rights management to the core, it is important to view the central system as a singular one. As noted above, companies tend to accumulate multiple solutions. With rights becoming more fragmented, complex and diverse, it becomes even more challenging to manage rights with a simulated, enterprise-wide system.

However, the added intricacies introduced by the digital environment increase the importance of maintaining a centralized rights management system. Licensees want to acquire more rights types from fewer sources, while licensors must expand the scope of rights they can monetize to remain competitive. In today’s age of diversified content-based products, magazine publishers, for instance, also manage movie rights. Record labels bundle t-shirts with vinyl. Book publishers oversee advertising revenue for writers’ Web sites. Furthermore, even traditional rights bundles are increasingly difficult to accurately administer, as content shrinks into smaller “chunks” and distribution windows shorten.

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Michael Sid, CEO and co-founder of rights management software provider Mediamorph, recently said: “I’ve seen it done successfully in a few rare cases, such as one of the major studios. What it takes is one person. You need a smart team to manage the implementation. But it will only work if there is a single person at the helm that possesses detailed knowledge of each area of the enterprise.”

This is a valuable lesson. It is not effective to gather executives with varied expertise to lead a complex implementation project via committee. All of the intricacies and tradeoffs will never be fully vetted if the detailed knowledge resides in different places. But the nature of this challenge – the siloes of tacit knowledge – clearly reinforces the importance of breaking through the walls of communication barriers to unify the enterprise.

The Takeaways
- A business should align its systems to its value chain.
- For most media and entertainment companies, the foundational assets are the rights to content.
- By positioning rights management as the enabler of downstream activities, a company increases effectiveness and reduces liability.

Reconstruct Rights Dimensions to Enable Flexibility and Automation
An upfront investment in defining rights dimensions consistently and intelligently will pay back manifold through reduced administration costs.

Well-Defined Dimensions
With rights management as the enabler of the flow of business, the structure of how rights are captured becomes the enabler of the system. The level of detail at which the rights should be defined is driven by the granularity of the contracts and the intricacy of the reporting requirements. Both are becoming increasingly complex, driven by increases in restrictions, exclusions, window definitions and periods, number of participants and expirations.

To capture the rights dimensions, a series of hierarchies should be implemented to categorize products, categories, distribution channels, territories, restrictions and so forth. Each of these hierarchies has multiple levels of detail, providing deeper granularity in contracts and more flexible reporting.
Deconstructing the Rights Morass

As Gregg Guest, VP of product marketing and strategy at FADEL, whose rights management suite is used by clients such as Harvard Business Publishing and Marvel Entertainment, explains: “In our experience, a series of five dimensions is typically more than adequate to model most licensing flows. Three to five levels of hierarchical depth should be available below each dimension, providing enough detail to accurately represent virtually any licensing operation.” Ideally, a system should support the ability to drill down to an unlimited number of sub-hierarchies to suit the most complex of agreements (see Figure 2).

When defining such rights dimensions, it is important to be both detailed and strategic. The system must have the detail to accurately represent complex rights combinations. Dimensions must also be designed to be flexible in order to keep pace with evolving digital content distribution trends. The requirements behind capturing rights change every few years due to the entry of new formats, sales channels, bundles or entire business models. Workaround processes are typically created out of necessity to temporarily solve such issues in legacy systems. But such band-aids have a short useful life and build up significant administrative lag. Rights systems should facilitate the creation of new dimensions and include regular updates to maintain pace with the industry.

Consistency is King

The need for consistency in rights terminology has both internal and external impacts on a company. When rights are recorded internally in an ad hoc fashion, the irregularity of terms causes confusion and missed opportunities. After rights are acquired, they are often misunderstood or difficult to locate by those seeking to utilize the content. When rights are sold, missed payments can go untracked, and compliance is indiscernible. Determining which specific rights remain available becomes an even greater challenge, due to the “granularization” of content and the increasing number of formats and distribution channels.

Implementing an organized set of rights dimensions can increase revenues by improving discoverability, traceability and transparency.

Standardizing legal terms and definitions enables automated communication by ensuring that all parties are speaking the same language, be it person to person, person to machine, or machine to machine. If a company needs a human to process every rights deal that emerges, it is unlikely that it can make small deals profitable.
As an example, assume a publisher wants a distributor to license certain segments in an automated workflow and report details back to it. If the specific rights to use the content and contract terms are communicated in a standardized vocabulary, and reports are delivered in the same standard, automated licensing becomes possible. Now, by removing human intervention and bringing the administrative cost down to a few cents, small deals can be profitable. This opens up a new universe of potential customers. It also provides the economies of scale needed to survive in an environment where the perceived value of many types of content is sinking.

Further Efficiency through Industry Standards

Industry-wide standardization initiatives are underway to improve consistency and transparency in rights management. The Book Industry Study Group (BISG) is testing this assumption in a pilot project called Domestic Rights and Royalties Reporting. Its aim is to facilitate standardized, automated, system-to-system reporting of rights and royalty transactions to improve transparency and reduce costs.

The Takeaways

- The effectiveness of a rights system is dependent upon how well it captures contract dimensions.
- Such dimensions must be detailed enough to support the complexity inherent in modern licensing deals, and flexible enough to adapt to changing requirements.
- Implementing standardized terms enables automated workflows and allows companies to profit from deals that would otherwise be too expensive to administer.

### Defining Content and Format Types

<table>
<thead>
<tr>
<th>Content</th>
<th>Format</th>
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</thead>
<tbody>
<tr>
<td>Unaltered Content</td>
<td>Board Book</td>
</tr>
<tr>
<td>Full Text Only</td>
<td>Cloth Book</td>
</tr>
<tr>
<td>Condensed or Abridged</td>
<td>Bath Book</td>
</tr>
<tr>
<td>Annotated</td>
<td>Novelty Book</td>
</tr>
<tr>
<td>Revision</td>
<td>Unabridged Sound Recording (physical)</td>
</tr>
<tr>
<td>Adaptation</td>
<td>Unabridged Sound Recording (download)</td>
</tr>
<tr>
<td>Cover Design</td>
<td>Dramatized Sound Recording (physical)</td>
</tr>
<tr>
<td>Cover Art</td>
<td>Dramatized Sound Recording (download)</td>
</tr>
<tr>
<td>Cover Reproduction</td>
<td>Digital (delivered electronically)</td>
</tr>
<tr>
<td>Series</td>
<td>Digital Download and Online</td>
</tr>
<tr>
<td>Characters</td>
<td>Digital Online</td>
</tr>
<tr>
<td>Music</td>
<td>Audio Recording</td>
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<tr>
<td>Conclusion</td>
<td>Video Recording</td>
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<tr>
<td>Sound Effect</td>
<td>Audio Adaptation for Visually Impaired</td>
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<tr>
<td>Voice Over</td>
<td>Audio Online Access</td>
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<tr>
<td>Preface</td>
<td>DAISY Audio</td>
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<tr>
<td>Prologue</td>
<td>Large Print</td>
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<tr>
<td>Summary</td>
<td>Bracelet</td>
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<tr>
<td>Supplement</td>
<td>Pen</td>
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<tr>
<td>Introduction</td>
<td>Pencil</td>
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<tr>
<td>Interior Photographic Illustration</td>
<td>Compass</td>
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<tr>
<td>Interior Non-photographic Illustration</td>
<td>Calculator</td>
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<tr>
<td>Worksheet</td>
<td>Bookcase</td>
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<tr>
<td>Shareable Content</td>
<td>Storage Bin</td>
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<tr>
<td>Object (SCO)</td>
<td>Bed</td>
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<tr>
<td>Activities</td>
<td>Desk</td>
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<td>Exercises</td>
<td>Chair</td>
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<tr>
<td>Games</td>
<td>Table</td>
</tr>
<tr>
<td>Merchandise</td>
<td>Chair</td>
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</tbody>
</table>

Source: Rights Controlled Vocabulary, Version 1.0, Rights Committee. Copyright 2012 by the Book Industry Study Group. Figure 3
Reunite Rights Data to Achieve Efficiencies and Revenue Optimization

A centralized, accurate and globally accessible rights database will empower the enterprise with administrative efficiency and synergies among business units to create diverse offerings.

Global Access

When defining rights dimensions for a global audience, organizations must not overlook the importance of providing a broad range of users with access to their rights data. It has been demonstrated that synergies can be achieved by bringing enterprise-wide rights management under a unified system for the benefit of diverse rights clearance departments. But the consumers of rights data extend far beyond the rights department. For example, financial analysts need to understand when rights expire to accurately budget and project revenue. Sales teams use the information to find opportunities to exploit existing rights that have been overlooked. A brand partnership team must understand in what way the company can promote each client for diversified revenue options.

One major broadcast network’s lack of global access to rights data caused the loss of over a million dollars in a licensing deal. The interactive department had independently licensed a certain right for $50,000 to a small online vendor without checking rights availability data. At the time, this company’s licensing department was negotiating with a global brand for a seven-figure exclusive license. Upon learning that exclusivity was no longer possible, the global brand cut its licensing premium by over a million dollars. Had the licensor provided the interactive group with access to rights data, it would have seen a hold placed on that right, pending a negotiation over exclusivity.

It is also important to keep in mind which external users may benefit from viewing rights data. The individual creators – and their attorneys, accountants or business managers – will pay attention to what rights are represented in the system. Such users are likely to be more proactive in examining rights data for consistency with the understanding of contract terms. This type of crowdsourcing is a natural way of providing extra checks to improve the accuracy of rights data without the added overhead cost that would otherwise be required.

A company cannot keep its vital rights information trapped in silos and expect to diversify and optimize its revenue streams.

In determining the approach to providing global access, it is crucial to establish different user classes. Rights data contains an assortment of insights, some of which is highly sensitive. For example, a royalty administrator needs to confirm that an advance paid to the creator matches the amount dictated by the contract. But an entry-level business development associate who is gathering information about which rights to pitch likely should not have access to such data. Similarly, it is important to ensure that external users can only access information that pertains to their accounts.

A Single Point of Truth

While it may not be feasible to adopt a single enterprise-wide rights management solution in every situation, a central repository of rights information should be implemented, at a minimum. The proliferation of digital channels, formats and product bundles requires diverse rights licensing. A company cannot keep its vital rights information trapped in silos and expect to diversify and optimize its revenue streams.

Despite the clear value proposition and relative lack of impediments, it is surprising how many companies still function this way. According to a 2011 study conducted by the BISG, 50% of all publishers do not have a centralized repository of digitized contracts but instead use paper contracts, tucked away in files throughout their offices. Our experience working closely with record companies, studios, broadcasters and information management service providers has yielded similar findings.

Without a central database, well-meaning employees begin to track information in ad hoc spreadsheets. Information quickly becomes inconsistent, out of date, nonstandardized and inaccessible to a broader audience who could benefit from it.

Rights conflicts inevitably follow. The lack of consistent terms and formatting makes it impossible to search these documents effectively, even when...
stored on a shared storage device. As Elie Perler, senior coordinator of music & media licensing at MTV Networks, put it: “Most alleged centralized licensing databases I’ve worked with at previous organizations are really just glorified Windows Explorers, specific to a business unit. There are Excel spreadsheets, Word docs and scanned contract PDFs that are attempted to be organized, but there is also a lot of clutter. Searching via OCR text recognition is not standardized and takes a long time to find what I need.”

The common misconception that a shared drive of scanned PDFs is a central repository is an unfortunate one, indeed. Such systems do grant access, but they lack the key element to achieving effectiveness: structured data. When rights information from contracts is registered to a database according to a structured data model, information is easily searched and retrieved. Again, the positive impact of standardization cannot be underestimated.

**The Takeaways**

- Media and entertainment companies must diversify their revenue streams derived from content to satisfy the consumer and remain competitive.
- Rights data is the link between diverse business units that enables diverse products and services to be sold.
- A truly centralized, accurate and globally accessible rights database will empower the enterprise to create innovative offerings at the speed of industry transformation.

**Down the Road**

Looking further downstream, the next opportunity for efficiencies after deal construction is in delivering the actual licensed content. Building integration between the rights management system and digital asset management (DAM) system extends automation’s potential down the value chain. While evaluating potential deal profitability, overhead costs of preparing and delivering an asset can be taken into account based on DAM information about format requirements.

Upon completion of a deal, a standard delivery specification can be sent automatically, based on specific content formats, to provide advance notice to the media supply chain for construction of the digital delivery. Furthermore, ROI for existing digital assets can be increased by using an integrated DAM solution to optimize content repurposing across product lines.

In a landscape quickly converting to business models based on access, the crux of the industry lies in the rights to content. As consumer demand for bundled products increases, companies need to diversify their offerings to remain agile and competitive. Content-based products created by publishers, broadcasters, studios and record labels continue to intertwine, and the lines between these traditionally defined businesses continue to blur. By implementing smart rights management practices at the core of their systems and processes, companies will differentiate themselves by their ability to scale administrative savings through automation and facilitate revenue optimization through channel/window management.

**Footnotes**

1. Interview with David Copper, formerly Rights & Royalties Lead at Cognizant Business Consulting’s Information Media and Entertainment Practice, February 18, 2013.
2. Interview with Michael Sid, CEO and co-founder, Mediamorph, June 12, 2013.
3. Interview with Gregg Guest, VP of product marketing and strategy, FADEL Partners, Inc. (‘FADEL’), June 13, 2013.
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9 Interview with Elie Perler, senior coordinator of music and media licensing at MTV Networks, February 26, 2013.