



Territorial Rights in the digital age

Webinar presented by Brian O'Leary

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Territorial Rights in the Digital Age

A Guide for Canadian Publishers

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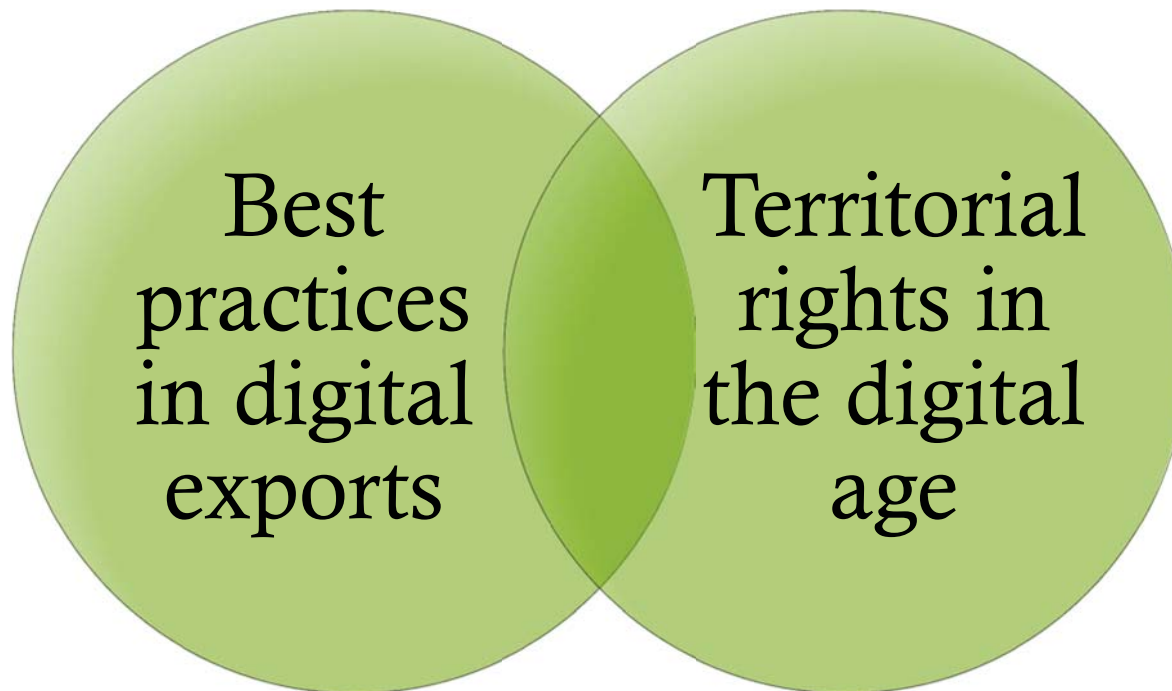
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An overview of today's discussion

- ◆ Introduction
- ◆ Market trends
- ◆ Survey highlights
- ◆ Current and future considerations
- ◆ Recommendations

Before we get started ...



History and background

- ◆ Copyright assignment (an author sells a publisher a right to the work, often with limitations)
- ◆ Exclusive licenses (an author retains copyright and may have more say over the use of the work)
- ◆ Non-exclusive licenses (rare; author reserves the right to work with other publishers)

Applications of territorial rights

- ◆ Sell books in one or more other markets, when a publisher holds rights to those markets
- ◆ Sell rights to another publisher, presumably better positioned to exploit a local market
- ◆ Sell rights to translate and print a version of a book published in another language

Advantages of territorial rights

- ◆ Gain additional income while managing cost and risk
- ◆ Tap into the value of local market knowledge
- ◆ Meet demand in other markets
- ◆ Extend the life of certain titles

Overall market developments

- ◆ At the time of the research, only the U.S., U.K. had digital markets of any scale (12% - 22% in 2012)
- ◆ A slowdown in the rate of growth in these markets
- ◆ Digital demand now moving to fixed-price markets
- ◆ Stronger growth expected in France
- ◆ Differential VAT rate for physical, digital books in most EU markets (digital rate is higher)

Trends: Pradelle's 2011 study

- ◆ Acquisition (print and digital together)
- ◆ Licensing and pricing (common for print and digital)
- ◆ Marketing (art and some science)
- ◆ Rights and royalties
- ◆ Production and operations

Rights and royalties

- ◆ “Rights verbatim”: exact replicas
- ◆ Countries differ when print and digital rights are negotiated
- ◆ Simultaneous publishing schedules for digital and print
- ◆ Pricing varies widely by market
- ◆ A groundswell around 25% royalty (net), but not universal

Production and operations

- ◆ Digital rights predominantly text-based
- ◆ Files may be stored and distributed directly, by a shared platform, through a retailer, or all of the above
- ◆ DRM is widely used
- ◆ Pirated content most commonly sourced from scanned hard-copy books
- ◆ Piracy monitoring is often outsourced

Survey highlights

- ◆ 75% of Canadian publishers produce digital books as companions to physical books
- ◆ 35% report “no” digital revenue; another 60% say that it makes up less than 10% of total revenue
- ◆ The most common rights sold are language (62%), followed by country or region (36%)
- ◆ 81% felt digital rights sales would increase in the next two years; no publisher anticipated they would fall

Countries of greatest interest

- ◆ U.S.
- ◆ U.K.
- ◆ France
- ◆ Australia & New Zealand
- ◆ Belgium and Switzerland (for French-language publishers)
- ◆ China

The impact of digital formats

- ◆ Plurality (42%) of those responding were “not sure” how digital delivery affected rights’ value
- ◆ Plurality (47%) were “not sure” how digital delivery affected time available to sell rights
- ◆ A majority (64%) did not know if current approaches to managing rights might limit total sales
- ◆ The majority (62%) feel that “selling with print” is a challenge
- ◆ Other challenges include “local pricing”, “digital formats” and “local channels” (28% - 21%)

Current and future considerations

- ◆ Downsides of territorial rights
- ◆ Risks
- ◆ Impact on early adopters
- ◆ New or emerging technology options
- ◆ Technical considerations

Downsides of territorial rights

- ◆ Time to market issues
- ◆ Lost sales
- ◆ Piracy
- ◆ Competition from similar content
- ◆ Competition from other, non-book media
- ◆ *Bookseller* survey: 47% felt the current approach will not hold up

Do current approaches limit sales?

- ◆ Online access makes every book “visible”
- ◆ Many (most) markets can see but not buy
- ◆ Forego, grow frustrated or consider piracy
- ◆ Mixed responses among those surveyed

Alienating early adopters?

- ◆ Consumers must wait for content to be available
- ◆ If all rights are not cleared, certain formats might not be made available
- ◆ Pricing to print (or close) has slowed adoption
- ◆ Market-by-market sell-in pattern is not widely understood or supported by readers
- ◆ Growing interest in 'digital-first'

Emerging delivery options

- ◆ Subscription
- ◆ Eliminating the use of DRM
- ◆ Pay-as-you go rights
- ◆ Component or “short format” selections

Technical considerations

- ◆ National pricing models or policies
- ◆ Technology, including the share of books read digitally
- ◆ Local statutes or regulations
- ◆ Local distribution requirements
- ◆ Competing same-language editions

Recommendations

- ◆ Selling digital rights by territory
- ◆ Retaining digital rights and selling through an aggregator
- ◆ Retaining digital rights and selling directly
- ◆ Business models that may affect future export sales
- ◆ Steps to take to improve digital readiness

By territory or language

- ◆ “Traditional” model
- ◆ Region, country or language
- ◆ Typically takes time to negotiate
- ◆ With digital, a lag can cause frustration
- ◆ Some (small) markets may be missed

Making digital work with the traditional model

- ◆ Broader negotiations, concluded more quickly
- ◆ Partner with publishers that can offer both print and eBook distribution
- ◆ Test eBook-only in smaller markets

Separating digital and print rights

- ◆ May affect willingness of local partners to buy or promote a print title
- ◆ Can work with international aggregators (Kobo, Apple, Google)
- ◆ Can also work with local aggregators (complex arrangements; may be publisher-specific)

Selling directly

- ◆ Improved margins; publisher controls pricing
- ◆ Direct selling can provide insight
- ◆ Challenges: discoverability and access
- ◆ Need content depth or focus
- ◆ Can try “verticals”, consortia

Emerging models

- ◆ Lending (consumers, libraries)
- ◆ Subscription
- ◆ Consortia
- ◆ “Netflix”-like
- ◆ Digital-only or digital-first

Improving digital readiness


- ◆ Be sure that rights are well-tracked and up to date
- ◆ Know where your files are (ideally, in-house)
- ◆ Align your metadata with partner requirements
- ◆ If you want to sell content components, plan ahead
- ◆ Think globally

Major market profiles

- ◆ United States
- ◆ United Kingdom
- ◆ France
- ◆ Australia
- ◆ China

Resources

- ◆ Livres Canada Books, “Exporting digital books: A guide to best practices”
- ◆ Extensive bibliography in the final report
- ◆ Brian.oleary@magellanmediapartners.com



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