The magazine for Bertelsmann employees – October 2018

GLOBAL BUSINESS @BERTELSMANN
Eight examples of internationally active businesses

TEN YEARS OF BMG AND BAI
Two stories of growth businesses

Creativity and Entrepreneurial Spirit
Two essentials that are very important for Bertelsmann – as well as for artists like Donna Leon
You first read it a few weeks ago in Thomas Rabe’s letter reporting the figures for the first half of 2018: Bertelsmann is seeing gratifying organic revenue growth. Our growth businesses are the pace-setters in this development. Two of them, BMG as a music company for the digital age, and our Chinese fund Bertelsmann Asia Investments (BAI), are celebrating their 10th birthdays this year.

Accordingly, the new INSIDE provides an introduction to BMG and BAI. Annabelle Yu Long and Hartwig Masuch, who along with Thomas Rabe are the thought leaders and driving forces behind BAI and BMG, talk about their motivations and their businesses. Colleagues from all over the world join together in telling two entrepreneurial success stories “made by Bertelsmann” that are as successful as they are creative.

Such stories are also described in a new book in our “What’s Your Story?” series. Following volumes on Digitalization, Creativity, Education, Partners and Innovation, “Global Business @ Bertelsmann,” this latest edition is dedicated to eight entrepreneurial stories that exemplify Bertelsmann’s growing internationality. This issue of INSIDE contains shorter versions of each of them. You can order the complete book at any time.

In addition to these key topics, we report on our top management’s most recent meeting in Venice, present the 2018 half-year results, and share some pictorial memories from the September annual Bertelsmann Party in Berlin, which once again attracted 1,000 prominent guests.

I wish you an insightful read, and look forward, as always, to your suggestions and comments. Just send me an email to inside@bertelsmann.com.

Yours sincerely,
Karin Schlautmann

Karin Schlautmann
Head of Corporate Communications,
Bertelsmann SE & Co. KGaA
## CONTENTS

**INSIDE BERTELSMANN / OCTOBER 2018**

**06** Venice Summit 2018
Bertelsmann’s top managers gathered in Venice to talk about the Bertelsmann Essentials of creativity and entrepreneurial spirit

**11** Venice Summit: Discussion
Where does best-selling author Donna Leon find the material for her globally successful crime thrillers?

**12** Venice Summit: Case Studies
Perfect examples for the central significance of creativity and entrepreneurial spirit at Bertelsmann

### GLOBAL BUSINESS@BERTELSMANN

**18** RTL Group
“Deutschland 83,” “The Young Pope,” “American Gods” – Fremantle is producing more and more internationally successful series

**20** Penguin Random House
Penguin Random House is exclusively responsible for the worldwide book program about the sequel to the film “Avatar”

**22** Gruner + Jahr
The in-house startup Applike operates apps that recommend apps to users and markets its detailed knowledge about the users

**24** BMG
The music company uses data collected from all over the world to develop successful songs for the music market

**26** Arvato
With Afterpay, Arvato Financial Solutions offers a purchase transaction solution that benefits both retailers and consumers

**28** Bertelsmann Printing Group
The catalog business is one of the company’s most important mainstays for print and media services providers

**30** Bertelsmann Education Group
Relias is growing with its e-learning offerings in the healthcare sector outside the U.S. – including in China

**32** Bertelsmann Investments
Thanks to its collaboration with renowned universities, the Indian education company Edulab offers its students from all over the world an Ivy League-standard education

---

## 10 YEARS OF BMG AND BAI

**36** Commentary by Thomas Rabe
The CEO discusses the strategical importance of BMG and BAI as growth businesses for Bertelsmann

**38** Interview
BMG CEO Hartwig Masuch talks about the rapid development of the new type of music company, founded in 2008

**42** Top Management
BMG’s success is the result of a distinct team spirit – also found within senior management

**44** United States
The USA is the most important music market in the world, including for BMG

**46** Country Music
With the acquisition of the BBR Music Group in the United States in 2017, BMG entered a growing market

**47** Statements
BMG employees talk about their company

**48** Germany
BMG’s domestic market often performs a little differently than other markets

**50** United Kingdom
The British music market ranks among the most creative in the world – to the delight of BMG

**52** Congratulations
Artists and songwriters congratulate BMG on their tenth anniversary

**53** 10 Songs to Celebrate 10 Years
A playlist stream from BMG

**54** Investment funds
Bertelsmann Asia Investments is considered one of China’s most well-known and most successful investment funds

**56** Interview
Annabelle Yu Long, Managing Director of Bertelsmann Asia Investments (BAI) discusses BAI’s ten-year success story

**61** Team
Colleagues at BAI offer insight into their daily routine

**62** Investments
Since its foundation in 2008, BAI has often been right on the mark with its investments, as shown by three examples

**64** Successful Exits
BAI is also very successful through the sale of investments

**66** Magazine
News from the world of Bertelsmann

**75** Publishing Credits

---

**11** DISCUSSION
Best-selling author Donna Leon discusses “Creativity in Venice”

**15** DISCUSSION
Riverhead author Dan Pink talks about successful entrepreneurs

**18** GLOBAL BUSINESS@RTL GROUP
When the sequel to “Avatar” arrives in cinemas, Penguin Random House will supply the books

**20** GLOBAL BUSINESS@PENGUIN RANDOM HOUSE
With Afterpay, Arvato Financial Solutions offers a purchase transaction solution that benefits both retailers and consumers

**34** NEW MODEL
Thanks to artists and songwriters like Bruno Mars, BMG, newly founded in 2008, is growing in the music industry

**36** 10 YEARS OF BMG AND BAI

**38** Interview
BMG CEO Hartwig Masuch talks about the rapid development of the new type of music company, founded in 2008

**42** Top Management
BMG’s success is the result of a distinct team spirit – also found within senior management

**44** United States
The USA is the most important music market in the world, including for BMG

**46** Country Music
With the acquisition of the BBR Music Group in the United States in 2017, BMG entered a growing market

**47** Statements
BMG employees talk about their company

**48** Germany
BMG’s domestic market often performs a little differently than other markets

**50** United Kingdom
The British music market ranks among the most creative in the world – to the delight of BMG

**52** Congratulations
Artists and songwriters congratulate BMG on their tenth anniversary

**53** 10 Songs to Celebrate 10 Years
A playlist stream from BMG

**54** Investment funds
Bertelsmann Asia Investments is considered one of China’s most well-known and most successful investment funds

**56** Interview
Annabelle Yu Long, Managing Director of Bertelsmann Asia Investments (BAI) discusses BAI’s ten-year success story

**61** Team
Colleagues at BAI offer insight into their daily routine

**62** Investments
Since its foundation in 2008, BAI has often been right on the mark with its investments, as shown by three examples

**64** Successful Exits
BAI is also very successful through the sale of investments

**66** Magazine
News from the world of Bertelsmann

**75** Publishing Credits

---

**18** GLOBAL BUSINESS@RTL GROUP
When the sequel to “Avatar” arrives in cinemas, Penguin Random House will supply the books

**20** GLOBAL BUSINESS@PENGUIN RANDOM HOUSE
With Afterpay, Arvato Financial Solutions offers a purchase transaction solution that benefits both retailers and consumers

**34** NEW MODEL
Thanks to artists and songwriters like Bruno Mars, BMG, newly founded in 2008, is growing in the music industry

**36** 10 YEARS OF BMG AND BAI

**38** Interview
BMG CEO Hartwig Masuch talks about the rapid development of the new type of music company, founded in 2008

**42** Top Management
BMG’s success is the result of a distinct team spirit – also found within senior management

**44** United States
The USA is the most important music market in the world, including for BMG

**46** Country Music
With the acquisition of the BBR Music Group in the United States in 2017, BMG entered a growing market

**47** Statements
BMG employees talk about their company

**48** Germany
BMG’s domestic market often performs a little differently than other markets

**50** United Kingdom
The British music market ranks among the most creative in the world – to the delight of BMG

**52** Congratulations
Artists and songwriters congratulate BMG on their tenth anniversary

**53** 10 Songs to Celebrate 10 Years
A playlist stream from BMG

**54** Investment funds
Bertelsmann Asia Investments is considered one of China’s most well-known and most successful investment funds

**56** Interview
Annabelle Yu Long, Managing Director of Bertelsmann Asia Investments (BAI) discusses BAI’s ten-year success story

**61** Team
Colleagues at BAI offer insight into their daily routine

**62** Investments
Since its foundation in 2008, BAI has often been right on the mark with its investments, as shown by three examples

**64** Successful Exits
BAI is also very successful through the sale of investments

**66** Magazine
News from the world of Bertelsmann

**75** Publishing Credits
In A City Brimming With Entrepreneurship And Creativity

Fifty executives from the Executive Board, the GMC, the Chairman’s Council, and the Creativity Advisory Board met in September in Venice to discuss two Bertelsmann Essentials in a perfect setting.

Anyone who succeeds in placing an entire city located below sea level on millions of wooden piles in the water, and then defies the sea for centuries with a constant stream of new ideas; who manages to build such a place with canals instead of roads, while creating some of mankind’s greatest artistic and cultural treasures, and becoming Europe’s leading trading and financial center for an entire era, is sure to be enormously endowed with two characteristics: creativity and entrepreneurial spirit. Venice is synonymous with both – which is why the city on the Adriatic Sea provided the perfect setting for a two-day meeting of 50 executives that primarily revolved around creativity and entrepreneurship, two Bertelsmann Essentials that have a special significance and immediacy for the management of Bertelsmann’s businesses.

Thomas Rabe opened the Venice Summit 2018. Visitors were welcomed to the lagoon city at St. Mark’s Square and Doge’s Palace (large picture).
Francesco da Mosto offered exciting insights into his home city of Venice.

**Creative Venetian**

Architect, writer, historian, TV presenter – Francesco da Mosto’s professional activities and accomplishments already hint at his extraordinary creativity. Da Mosto comes from an ancient Venetian family. He has filmed across Europe for the BBC. He lives with his family in Venice. And this city, to which he is so closely connected, was of course also the subject of da Mosto’s lecture at the dinner at the end of the first day of the conference in the lagoon. Speaking of dinner – da Mosto’s cookbook “Francesco’s Kitchen” was published by Ebury Press in the U.K. in 2007. The Venice Summit was less concerned with Venetian cuisine than with Venetian history, however. Da Mosto recalled the origins of the city in the inhospitable lagoon. He outlined its unswerving ascent to the proud and independent commercial metropolis, where families like his demonstrated power and prosperity with splendid facades, and spoke about a collection of art treasures unparalleled in the world. In short, he presented a city in which creativity and entrepreneurial spirit have an inseparable bond.

*Thomas Rabe and Immanuel Hermreck discuss the Essentials “entrepreneurship and creativity”*

The members of the Executive Board and Group Management Committee (GMC), Chairman’s Council and Creativity Advisory Board, as well as representatives and speakers from the divisions, accepted Thomas Rabe’s invitation to convene at the Lido di Venezia. Liz Mohn, the Chairman of the Supervisory Board Christoph Mohn, Shobhna Mohn, and Brigitte Mohn headed up the trip to Venice. At the start of the meeting, organized by Bertelsmann Corporate Communications under the leadership of Karin Schlautmann, Thomas Rabe described Venice as the perfect place to think about how Bertelsmann can promote creativity and entrepreneurship utilizing the most concrete and effective measures possible. But first he gave a brief overview of the Group’s current situation. And it is good. According to the CEO, the company is financially strong and has grown at all levels since 2011: revenues by 29 percent, operating profit by 18 percent, and Group profit by a whopping 96 percent.

**New competitors**

The company’s commercial and strategic success notwithstanding, the Chairman and CEO sees no reason for Bertelsmann to rest on its laurels. Instead, he said, the Group must compete in a new dimension today and in the future, with the large American tech companies such as Netflix, Google or Facebook, as well as with the Chinese giants Alibaba Group or Tencent as its new competitors. But Bertelsmann has a clear response to this challenge as well, according to Rabe: investing in premium content; guaranteeing secure advertising environments and wide reach for brands; establishing the Group’s own digital businesses and skills; concluding strategic partnerships; consolidation; collaboration with the tech platforms; establishing a fair regulatory environment for competition; and putting the Bertelsmann Essentials into action. With regard to
When it comes to creativity and Venice, one name immediately springs to mind, especially at Bertelsmann: Donna Leon. The American writer was the first guest speaker at the Venice summit. She rose to world fame with the Venetian detective Guido Brunetti, whom she created in 1992. At that time, her first thriller “Death At La Fenice” was published by Random House in New York. 26 more cases followed for Brunetti, usually one a year; many published by Penguin-Random House imprints. In Germany, UFA has adapted numerous Brunetti novels for the screen since 2000, and turned them into a long-running hit series on German television under the title “Donna Leon.” Since 1981, the author has spent part of every year living in her famous fictitious detective’s hometown. Her publishing home in the U.K. has long been Penguin-Random House UK – and so Donna Leon discussed “Creativity and Venice” on stage with Gail Rebuck.

Gail Rebuck introduced her guest as “an example of creativity in action” and dove right in by asking her about her main source of creativity. Donna Leon pulled a news story out of her pocket, held it up, and said: “I Gazzettino di Venezia’ may not be the best daily newspaper in the world, but the local newspaper of Venice is my most important source because I want to know what really happens in this city.”

And this – from real crime cases, the living and working environments of Venice, from the authentic places and characters of the city – she draws her stories about Commissario Brunetti. “Every impulse for a new book comes from this newspaper,” the author confessed. And so she described an “insatiable curiosity” as an essential element of her own creativity. She simply wants to know why certain people do certain things.

When asked by Gail Rebuck whether creativity can be learned or taught, Donna Leon answered rather skeptically: “People are born with affinities for certain things – and for me, it was an affinity for language: I don’t think you can learn that.” But even if you can’t learn really learn to be a writer, you can definitely learn to write better, she continued. Alvso giving her audience some fascinating insights into the characters of her detective stories and the uniqueness of her Venice setting, Donna Leon paid tribute to the creativity of the editors she works with. “They have a completely different, equally important creativity,” said the author, who admitted: “In my manuscripts, it can happen that characters have lunch three times a day or that Wednesday comes before Tuesday.” She also said that when she starts a book, she never knows how it will end. Here, the work of the editors is indispensable, she pointed out. They smooth things out, point out contradictions, and make the book better in the end. “The editor is an author’s best friend,” concluded Donna Leon.

In Conversation With Donna Leon

A bestselling author who gets the material for her detective stories from Venice’s local newspaper and who sees the editor as the author’s best friend.

For the family album: Shobhna, Brigitte, Christoph and Liz Mohn (left); Francesco Sedita and Madeline McIntosh.

Christoph Mohn (left), Anke Schäferkordt and Bernd Hirsch (right) also participated in the lively discussion about the Bertelsmann Essentials.

The participants of the Venice Summit 2018 (left) and their host, Thomas Rabe

The Bertelsmann Essentials were the cue for Chief Human Resources Officer Immanuel Hermreck to step up to the mic in Venice. He focused on the progress made towards a new version of the Essentials, which is to be presented at the Management Meeting 2019. Above all, however, he explained the rationale behind this careful process and derived it directly from the definition of the Bertelsmann Sense of Purpose: “If in formulating the Essentials film, which Nico Hofmann is preparing.

Core elements of the Essentials

It already became evident in Venice around which core elements the new version will revolve, as these themes ran through the lectures and discussions as a unifying theme. Thomas Rabe and Immanuel Hermreck summarized the most important ones in the closing discussion: Empowerment and responsibility were among them, as was diversity. Willingness to take risks and experiment, perseverance, and courage were other elements, as well as a culture that celebrates success and tolerates mistakes, opportunities for professional development, comprehensive communication and intensive cooperation, partnerships, and finally respect and integrity. Thomas Rabe attached particular importance to the definition process of the Essentials being accompanied by concrete packages of measures. For him, these range from optimal organizational and decision-making structures to the right incentives and even greater diversity at Bertelsmann to not only do justice to entrepreneurship and creativity, but to actively promote both.

“This is about how we do what we do”

IMMANUEL HERMRECK

He said the process involved answering some key questions, among them: Do the Essentials have the right focus? Are they up to date? Do they reach out to all employees? Is the format contemporary enough? To find these answers, Hermreck said that surveys had been launched and workshops held. The company also brought in external advisors and academic expertise, and in all the relevant committees discussed the focusing of the Essentials.

He said the present meeting in Venice was another important step in this process, which conclude in spring 2019, when the new version of the Essentials is presented at the Management Meeting in Gütersloh, accompanied by a motivational Essentials film, which Nico Hofmann is preparing.

Christoph Mohn (left) with Donna Leon.
Creativity Requires The Courage To Experiment

Five case studies highlight the crucial importance of creativity in Bertelsmann’s daily business routine.

1.

Julia Jäkel talks about the failure of “Frei”

Julia Jäkel, CEO of Gruner + Jahr, used the example of the division’s weekly magazine “Frei,” to illustrate that mistakes, as well as correctly dealing with and learning from them, are part of the creative process. Jäkel recalled the launch of “Frei” in February 2016. According to all market and advertising environment analyses, it should have become a success story. “After we had very successfully launched new magazines in 2015, especially ‘Barbara,’ we knew how这位管理者/企业家 went about the creativity process.”

2.

Hartwig Masuch discusses new paths with Joan Jett

One of Bertelsmann’s greatest creative success stories of the recent past is the founding of BMG as a new kind of music company for the digital age. Here, the importance of creativity is already evident in the fact that BMG works with the world’s most creative musicians every day. “Their creativity is at the heart of everything we do,” said Hartwig Masuch, CEO BMG, in Venice, citing the example of its collaboration with Joan Jett, who has been one of BMG’s top artists for many years – but with whom the music company explored entirely new paths.

“After 40 years in the music business, Joan Jett was looking for new channels to tell her story and approach her fans,” said Masuch, recalling a meeting with the artist. It coincided with a phase in which BMG was trying to break into the film business as a new brand – a happy coincidence, as it turns out. BMG’s first major film project was the documentary “Bad Reputation” – about Joan Jett. “Joan loved the idea right away and was on board,” Masuch continued. The team got to work – and a year later had produced a great result that premiered at the Sundance Film Festival and will be shown in more than 200 U.S. movie theaters this year. At the same time, BMG’s documentary “Bad Reputation” helped to reposition Joan Jett as one of the most important rock singers in the U.S. Hartwig Masuch says that in this, as in all of BMG’s other projects with great creative professionals, “we are looking for creative artists. We trust in their creative vision, and we continue to offer them new creative services.”

3.

Matthias Dang (left) and Stephan Schäfer in dialogue

Stephan Schäfer, Chief Product Officer at Gruner + Jahr, and Matthias Dang, Managing Director at IP Deutsch, discussed the importance of creativity when you want to build something completely new in a company, using the example of Fremantle’s entry into the TV drama genre, in which until three years ago only the German company UFA had been active. “We sat in front of a blank sheet of paper – or, in our case, a blank screen – and had to change our entire basic approach,” said Poole. This included the insight that English-language TV material would constantly be more modern, younger, and different from its countless competitors. But these hopes were not fulfilled. Sales figures fell short of expectations, and adjusting the strategy did not necessarily please the whole world.

4.

Sarah Doole speaks about TV dramas

“On the contrary, we realized how many fantastic stories there are in so many languages,” she said. “It was often Penguin Random House books that delivered these stories.” Right from the start, however, she said Fremantle opted for diversity, and not just in terms of countries. “Our dramas are meant to reflect the diversity of the viewers and the worlds they live in – diversity was our first commandment.” One result of this rethinking at Fremantle is the drama series “My Brilliant Friend.” Based on Elena Ferrante’s bestseller of the same name, it is about the discrimination against girls in education and training that continued well into the 20th century. Fremantle created an emotional series for the US cable network HBO.

5.

The TV format ‘The Who Was?’ Show was also based on a book – or a series of books – but here the publisher himself, Francesco Sedita, President and Publisher, Penguin Young Readers, became a TV producer. For years he has been responsible for the meteoric rise of the “Who Was?” brand at Penguin. In book form, the series sets millions of copies and keeps generating new volumes. Worldwide sales total 30 million copies to date. Then Sedita wanted to expand the brand and in the midst of all the stacks of books in his office he came up with the idea of himself producing an eponymous TV show. After all, he had worked for a television channel as a young man.

The concept of the series was quickly set: to make young audiences laugh and learn at the same time as they watch “The Who Was? Show.” Sedita shot a four-minute pilot, introduced it at the 2016 Kid Screen Conference in Miami, and got Netflix excited about the format. It then went into production and now introduces children to famous personalities from the past and present. 13 episodes have been broadcast since May this year. It is celebrated by critics and loved by children.

Further seasons are in the pipeline. But Sedita also confessed in Venice what he was most pleased about: “After the broadcast, a ‘Who Was?’ book also topped the ‘New York Times’ bestseller list, for the first time. And Sedita’s great project is still evolving. Penguin Random House has launched a ‘Who Was?’ app, is testing the use of Alexa, and in the process is constantly increasing the children’s brand’s visibility. And its brand extension operation, too, ‘Who Was?’ has now been joined by the series ‘What Was?’ and ‘Where Was?’”

Francesco Sedita talks about a publisher as a television producer.
Entrepreneurship In Action

Four example cases of a Bertelsmann Essential that, according to Immanuel Hermreck, "forms the core value of Bertelsmann itself."

1. Staying power and endurance – without them, entrepreneurial spirit is inconceivable for Volker Bornhöft, President of Collection Germany at Arvato Financial Solutions. In Venice, he spoke about the development of AFS Collection Germany. Bornhöft recalled Arvato's promising acquisition of Bedscore in Baden-Baden in 2005. "Only after the takeover did we realize what a long and rocky road lay ahead," he said, recalling the hurdles facing the integration process, which ranged from an outdated technical infrastructure to a risk-averse culture in the acquired company. While one part of the team continued to take care of the successfully growing day-to-day business in what were still separately managed companies, the other prepared their integration. "Complete business models, priorities and schedules had to be flexibly adapted," Bornhöft recalled, "but the goal of a unified service provider with a great future and growth prospects was maintained, and later taken even further with the acquisition of Gothia, paving the way for international expansion." Three years later, a successful company, fully integrated in terms of processes, customers, data, and structures, had taken shape – one that is constantly growing and leads the market in Germany. "And I'm convinced that thanks to the ultimately successful integration and our perseverance in this project, we are now better equipped for the challenges that the future holds for us," said Bornhöft.

2. The Bertelsmann Education Group needed a second attempt to succeed in the case of Hotchalk, an online university service provider. Kay Krafft, CEO of the Bertelsmann Education Group, reported on how the newly created Bertelsmann Education Division invested in the up-and-coming U.S. company in 2015. "We believed in the size and attractiveness of the market for university services," said Krafft, "and that with Hotchalk we had found the right company with the right business model and management team to be successful in this market." So, Bertelsmann Education Group bought a 40 percent stake in Hotchalk.

However, a change in the regulatory environment a few months later, among other things, severely impacted Hotchalk's business model. The Education Group reacted quickly and resolutely: New management positions were filled and the strategic direction adjusted. Hotchalk parted ways with unprofitable partners and reduced its own costs. In principle, the entire company was in reset mode: To have a free hand for all these and future steps, Bertelsmann increased its stake in Hotchalk to 85 percent. "Today the company is back on track and on target," explained Krafft. He expects it to turn a profit for the first time this year. His personal lesson: "Taking responsibility for a mistake is the prerequisite for initiating a successful change and a necessary change of course."

3. The U.S. company Microsoft is one of Arvato SCM Solutions’ most important customers – and requires a lot of entrepreneurial thinking and action from the Solution Group, as well as the occasional entrepreneurial tour de force. In Venice, Arvato SCM Solutions President Hightech & Entertainment Andreas Barth explained how this collaboration, which includes one of the largest outsourcing deals in the consumer electronics industry, is structured. Microsoft, which managed one of the most complex supply chain processes in the world, with 200 million units delivered through online channels as well as stationary retail, was looking for a partner that would create three new distribution centers and processes in the U.S. and Europe within six months. Arvato SCM stepped up and took on an unprecedented challenge. Especially at the beginning, Microsoft put maximum strain on its potential service provider, repeatedly carried out unannounced inspections, checked every step, made amendments and made additional requests. Some 125 Arvato employees worldwide were assigned to implement the project. SCM teams voluntarily worked on weekends for months on end – keeping themselves going with 3,200 pizzas, 2,500 sausages and 4,000 burgers in Louisville, Kentucky, alone. According to Barth, "our employees’ truly worldwide entrepreneurial and team spirit" were decisive in this phase. Arvato took a risk, but was able to set up a completely new, global business for Microsoft within six months. "All this was only possible," Barth concluded, "because the entire organization was behind it and was determined to really do it at any price."

4. Dan Pink, a speaker at the conference, called for a "create islands of autonomy!" approach to management. He pointed out that people need psychological security – not in order to sit back, but to have the courage to take risks. "They also need a sense of belonging to their company, which can be promoted through suitable formats or conscious language, and through a shared and vibrant sense of purpose. Pink attaches the greatest importance to a sense of purpose in everyday business because "people want to feel that they make a contribution to their company every day, no matter how small."

According to Pink, another element to strengthen entrepreneurship is the ability to read signals early on and foresee major developments. Finally he appealed for the creation of “islands of autonomy” in the business routine. "Whether it’s Friday Evening Experiments at one company or Genius Hours at another. Make it possible for your employees to take regular short timeouts, leave their workstations, and think or just try something out. They will come back with ingenious ideas and innovations."


Kay Krafft discusses a detour to success

Andreas Barth talks about a customer who demands everything

Dan Pink, a speaker at the conference, called for a “create islands of autonomy!” approach to management.
Whether media, services, educational opportunities or investments: business activities at Bertelsmann are becoming increasingly international. In recent years, the Group’s sales outside Germany and Europe have significantly increased. Especially in the USA, the world’s biggest market, Bertelsmann has persistently expanded its business. This is in addition to the growth regions of China, India and Latin America where further development has also been rapid. In each business unit, there are numerous examples of successful global businesses. Eight of these success stories are presented in the new volume of the book series “What’s Your Story?”, published by Bertelsmann Corporate Communications. On the following pages of INSIDE, you will find extracts from this new volume. You can find the complete stories in the book and also on BENET.

INSIDE presents eight stories of internationally successful companies and entrepreneurs at Bertelsmann.
**“Deutschland 83” Was The Turning Point**

“Deutschland 83,” “The Young Pope,” “American Gods” – Fremantle is producing more and more internationally successful series.

Sarah Doole, Director of Global Drama at Fremantle

When Doole began working in the TV production business in 1982, the television world was still completely dominated by U.S. television. The U.S. led the world in the export of TV series, which were bought up by TV stations worldwide in large package agreements referred to as “output deals.” By the same token, series from non-English-speaking countries had almost no chance of being shown in the United States. “Even British series were incredibly difficult in the U.S.,” recalls Sarah Doole, who spent 20 years selling British and other series to territories around the world.

**A fantastic story**

“The turning point for Fremantle came in 2014 with “Deutschland 83,”” says Doole, who notes that a happy circumstance helped make it happen. UFA Fiction had passed the script for the espionage story set in the two Germanys (East and West), which the Fremantle subsidiary produced for RTL Television, on to Sarah Doole. Unfortunately, the script was written in English; otherwise I probably wouldn’t have read it,” she admits. The American writer Anna Winger, together with her husband, UFA producer Jörg Winger, had created the series, hence the English-language script: “I absolutely loved ‘Deutschland 83,’ a great story that provided a different perspective on German history and opened a window into former East Germany,” recalls Doole. “‘Deutschland 83’ was a door opener for us,” says Doole in retrospect. “Its success has cleared the way not only for us, but for all European series.” She cites “My Brilliant Friend,” based on Elena Ferrante’s eponymous bestseller, as another example. The series, a family saga set in 1950s Naples, last year – entirely in Italian, even in the Neapolitan dialect. The well-known U.S. cable network HBO is a co-producer, the story that provided a different perspective on German history and opened a window into former East Germany,”

**International format for success:**

“Deutschland 83” helped Fremantle market more European series internationally.

This development very much suits the purposes of the European producer Fremantle. "Today, about half of the series we offer worldwide are not originally in the English language, but in Danish, Italian, German, French or Spanish," says Doole. These series are also shown on Netflix and Amazon, with whom Fremantle has signed major contracts. “This shows that when you tell new stories, they open doors to new customers. She is convinced that this development will continue. "The genre is out of the bottle." For the current young generation of series viewers, non-English-language series are already quite normal. "The younger generation simply wants to see the best stories from all over the world; they won’t settle for anything less," says Sarah Doole. ---

---

*Business unit:* Fremantle

*Founded:* 2001 (as Fremantle Media)

*Employees:* approx. 1,300

*Head office:* London

*Locations in 30 additional countries

*Activities:* Production, licensing and distribution of film and television formats

*Business unit:* RTL Group

www.fremantle.com

**“Series are today’s windows on the world”**

SARAH DOOLE

capacities for this needed to be created. Only in Germany did Fremantle have a strong producer of series at the time: UFA. In Great Britain and the rest of Europe, there was none at all, and capacities in the United States were very limited. With a series of acquisitions including Miso in Scandinavia, Wildside in Italy, Fontaram and Kwai in France, Easy Tiger in Australia, and Abot Hameiri in Israel, Fremantle created a global network that now comprises 13 production sites for fictional series. Fremantle also bought minority stakes in a number of newly founded series producers, such as Dancing Ledge, Corona TV and Duck Soup in the U.K., in a bid to secure first access to these companies’ creative talent and creative output.

When Doole moved from the BBC to RTL Group’s production arm five years ago and took up her new job as Director of Global Drama, that wall was empty. Today, it serves as the “Wall of Fame,” and is covered top to bottom with posters of globally successful drama series produced by Fremantle. They show, at a glance, what Sarah Doole and her team have achieved in recent years. Five years ago, Doole was essentially given just one assignment, but a crucial one: to significantly increase the share of fictional drama series for the international market in Fremantle’s catalog. They accounted for only about 6 percent of total revenues at the time, and Fremantle wanted this figure to increase significantly in the medium term. It has already come a long way.

**The rest of the room is encased in** a wall on which pictures can be hung.

**The younger generation simply wants to see the best stories from all over the world; they won’t settle for anything less,** says Sarah Doole.

---

You can read a detailed report on this topic on BENIT.

You can read a detailed report on this topic on BENIT.

You can read a detailed report on this topic on BENIT.

You can read a detailed report on this topic on BENIT.
A New Publishing Dimension With “Avatar”

Renowned director James Cameron’s “Avatar” story will return to movie theaters in 2020 and, with the exception of comics and graphic novels, Penguin Random House is responsible for the franchise’s global book program. The team is thrilled to be undertaking this groundbreaking project.

Penguin Random House is a key player in the global, multimedia entertainment program that will accompany the return of the “Avatar” franchise in theaters. New stories in the “Avatar” universe will arrive for existing and new fans alike, even before the first of the four announced sequels hits the big screen. One of the most remarkable things about the “Avatar” project is Penguin Random House’s role in it: For the first time, a publishing group is acting as a global general contractor for nearly the entire book-licensing business. “We’ve never done anything like this before,” says Scott Shannon, Executive Vice President and Publisher of Del Rey, part of the Random House US division, whose team led the negotiations for the international deal on behalf of Penguin Random House worldwide.

“We’re all looking forward to an exciting journey.”
Scott Shannon

With gross box-office receipts of close to $2.8 billion, “Avatar” remains the highest-grossing theatrical release in motion-picture history. The sequels are expected to continue its success story, but movies alone are not enough to depict the kind of books he enjoyed as a reader. He felt we were perfect for that.”

As the world’s largest trade-publishing group, uniting some 250 independent publishers from 20 countries under one roof, Penguin Random House represented the ideal partner. In 2014, exploratory talks were held with Lightstorm Entertainment and the 20th Century Fox movie company. The negotiations went on for two years. Each of the publishing divisions that was part of the deal had to sign off. Normally, the international marketing of books involves a publisher creating a specific book for one territory and licensing it out to other regions. As part of the “Avatar” program, Penguin Random House imprints can publish independent books that are tailored to their local market. Penguin Random House is also permitted to partner with competitors. “If we believe that a certain title doesn’t fit our portfolio, but would be in better hands with another publisher, we are free to partner with that publisher to release the book,” he explains. “So all roads to an “Avatar” book lead through Penguin Random House. “This is a unique deal for us,” says Shannon.

The Fox/Lightstorm team and the group at Penguin Random House are not currently permitted to discuss the publishing plan. Shannon can’t reveal any details, neither about the book titles nor the plots of individual books, nor the names of the authors chosen so far. The most Shannon can tell us at this time is that publication of the first book is planned to happen before the first of the sequel films is released, and that other titles from this early phase are already in the works. “We will have a wide range of authors, both men and women from different countries, including sci-fi veterans as well as young talents, always depending on the story,” announces Shannon, who adds that he also anticipates that the range of books will extend from adult novels and young-readers titles to nonfiction.

The English-speaking market will play a pivotal role. In the U.S., the Del Rey imprint of the Random House Group will publish books for adults, with the Penguin Random House UK imprint Corrertone as their partner in the U.K. Books targeting younger readers will be published by Penguin Random House Children’s in the U.K., and Penguin Young Readers in the United States. And DK is on board to produce elaborately illustrated manuals, guides, encyclopedias and making-of publications. According to Shannon, another country will play an especially prominent role: China, which could become the biggest market for the “Avatar” franchise, ahead of even the United States, as the Avatar franchise is already very popular in China.

Important topics
In Shannon’s opinion, “Avatar” has the potential to reach cultural heights comparable to “Star Wars.” The world created by James Cameron reflects important and urgent issues of our time: our relationship to the environment and our fellow human beings, the handling of natural resources, tolerance towards others and the ability to look beyond one’s own backyard. “James Cameron wants to convey a message with his movies, but at the same time package it in such a way that everyone can enjoy them,” explains Shannon. “We also like this approach for the Penguin Random House storytelling. We will extend the story far beyond the end of the upcoming movies. We’d like to be publishing “Avatar” books in 20 or 30 years’ time, and we hope readers want that, too, because there are so many places to discover in this universe.”

The core of Penguin Random House’s project team around Scott Shannon (from row, second from left):

You can read a detailed report on this topic on BENET under News/Hot Topics/Global Business@Bertelsmann.
GLOBAL BUSINESS@BERTELSMANN • G+J

From Hamburg To The World: The High-Fliers From G+J

Applike, the Gruner + Jahr in-house start-up founded by Jonas Thiemann and Carlo Szelinsky at the beginning of 2015, operates apps that recommend other apps to end users, and markets its detailed knowledge of the users.

F or Jonas Thiemann and Carlo Szelinsky, a dream came true at the beginning of 2016. Under the Gruner + Jahr umbrella, Applike, the in-house start-up they founded, commenced operations. The Hamburg-based online company calls itself an app recommendation platform. What surprised the founders – and Gruner + Jahr – is how well this business model actually works in the mobile marketing sector, and how strongly and rapidly Applike has grown. The wholly owned G+J subsidiary is now highly profitable and is the world market leader in its segment.

“Sometimes it still amazes us to see how strongly our business has in fact developed,” says CEO Thiemann happily. “There were times when we had rolled out Applike to more countries than we had employees,” says the business graduate, expressing what he and his co-founder and friend Szelinsky – a computer engineering graduate – love most about their business: to have developed a technology that runs on millions of smartphones worldwide. From its base in Hamburg, its business is now on the market in 27 countries, is used by 20 million people, has a four-digit growth rate and generates high returns.

The core idea behind Applike is simple, and easy to understand for every smartphone user. The number of apps, or small programs or applications that any user can download onto their device, is unmanageably large. New apps in particular are offered in different countries and appeal to different target groups. Anyone who downloads and installs one of these apps and perhaps provides some other, voluntary information about themselves will discover a digital world perfectly tailored to their habits and needs when they start the app for the first time. “The app determines which data and which apps are stored on the device and how they are used,” says Szelinsky. In a split second, the app creates a detailed user profile that forms the basis for a search in the Google Play Store. A product for the Apple App Store is in testing. The result is an individualized list of no more than 10 apps that might be of interest to the user.

“App publishers have a great interest in their apps being downloaded – and a correspondingly high willingness to pay for this,” says Thiemann, explaining the business model. “So when apps from our partner publishers show up on our lists and the user goes on to install them, we get paid for it.” Because Applike knows smartphone users so well, based on extensive data analysis, app publishers have very detailed information about them and can use it as a tool for targeted marketing measures. So detailed, according to Applike, that this type of targeting leads to significantly higher click rates, “in-app” purchases, and ultimately revenues for app operators and their advertising customers. “Through us, app publishers can reach precisely those users who are relevant for their apps,” says Szelinsky.

But the smartphone users don’t just get customized lists of exciting apps. “For using the apps intensively, they are rewarded with a virtual currency that they can exchange for vouchers or other bonuses,” explains Szelinsky. In Asia, for example, these are digital coins that can be redeemed at donut shops; in the U.S., they are supermarket vouchers; and in Germany they are credit vouchers for online retailers. “This makes our apps doubly interesting and increases our products’ attractiveness for users.”

Own technologies

The apps are based on a technology developed by Applike itself. “It took us about a year and a half to be able to read and analyze the use of other apps on a smartphone the way we envisioned,” says Szelinsky, proudly adding: “All the essential parts of our technological infrastructure come from us. We don’t use anything we haven’t developed ourselves.”

The number of Applike users is on a steady rise – a good 50,000 new users every day, according to the company. Applike was initially represented in Germany, followed shortly afterward by Austria and Switzerland, then the Dutch, British and French markets. Today, markets outside Germany account for much of the company’s activities and revenues. Applike now generates around three-quarters of its revenues in the U.S.A. alone, the world’s largest market. More and more employees are coming to Applike from other countries, including South Korea, Canada, Ukraine, Azerbaijan, China, Croatia and Turkey. Additionally, Applike employs some 50 people; they work in shared offices, and not one of them is over the age of 39.

They are constantly busy optimizing the analysis processes to obtain even more precise information and fine-tuning the algorithms that display the Applike apps all over the world. The same goes for optimizing the advertising campaigns in the recommended apps. Worldwide, Applike generates around 500 million advertising contacts per month. “Our competitive advantage lies in our marketing technology stack,” explains Szelinsky. “Over time, our processes have become faster and more accurate than any other provider has ever managed. We are constantly perfecting these processes so that they run as autonomously as possible. This gives our developers and all other employees the freedom for new ideas, instead of having to keep dealing with monotonous tasks. This unique asset makes us the world market leader in our business. Of course we want to, and must, maintain this lead.”

Applike is in the process of expanding geographically. “China and India are highly attractive markets at which we are taking a closer look right now,” Applike may even open its own sales offices in Asia for the first time, in this context. The number of employees at the Hamburg headquarters could also increase further, to perhaps 100 in all. And of course, the Apple world – which is much smaller than the Android environment – beckons with its iPhones and iPads. “There are some special technical challenges and system requirements here. We’re working on it...” Carlo Szelinsky promises proudly.

You can read a detailed report on this topic on BENET under News/Hot Topics/Global Business@Bertelsmann.

JONAS THIEMANN

“Applike is a technology which runs on millions of smartphones worldwide, and which are offered in different countries where the user goes on to install them, we get paid for it.”

INSIDE BERTELSMANN • OCTOBER 2018
Making Creative Performance Measurable

BMG uses management knowledge gathered all over the world, as well as experience and data from extensive analyses, to systematically develop successful songs for the music market.

“Kris Wu is to China and South Korea what Justin Bieber is to the Western world: an A-grade music celebrity. The remarkable thing about him is that his success is based on the collaboration, even on the convergence, of different world cultures. This smart young man, who has also gained a lot of fame as an actor and model, performs songs written by BMG songwriters from several countries. As Thomas Scherer, head of BMG Global Writer Services, and Marian Wolf, Director, Global Writer Services, explain in the interview, they worked together creatively in a sound and particularly goal-oriented way. This involves global networking as well as linking creativity and management knowledge.

“Kris Wu approached us one day in 2016 to ask for support in developing new songs,” says Scherer, who has worked for Bertelsmann music businesses and companies for around 25 years, and has been part of the music company’s management team since the new BMG was launched in 2008. “He had a precise idea of what he wanted his music to sound like. He was aiming for hip-hop like the well-known Canadian rapper Drake; a style that wasn’t very widespread in his home country back then. So we brought some of our best songwriters and producers from that genre to Los Angeles for a songwriter workshop. We worked together creatively in a sound and particularly goal-oriented way. This involves global networking as well as linking creativity and management knowledge.

“When Kris Wu approached us in 2016, our new model in the U.S. was still in its infancy,” says Scherer. “We’ve coined the term ‘DAT:IVE’ from ‘data’ and ‘creative.’ It describes two elements that have not been combined very much until now. Our management knowledge, experience and the analyses we do enable us to make decisions about which new artists and songwriters we sign based on our current portfolio of songwriters and artists.” Various BMG departments have jointly created their own tools for these analyses: Among other things, they can be used to scan songwriters’ performance data and determine whether they have signed new contracts with songwriters and artists on the basis of the songs they have written. It also lets us determine at what cost which creative performance brings what sort of success – a completely new approach in the music business that makes us an absolute pioneer, internationally,” says Scherer. This reality check, called “deal performance analysis” at BMG, serves to help manage the creative processes and measure the achievements of BMG’s executives. “While in the past, our creative managers have signed new contracts with songwriters and artists on the basis of good contacts and at times rather random circumstances and opportunities, this is now about looking specifically at the market, recognizing the demand for certain music or the gaps in supply, and the latest music trends, perhaps comparing them with our catalog – and concluding new deals only on the basis of these insights,” says Scherer. Measures to increase the understanding of these processes among colleagues working in the creative field, and to empower them to use the tools, include giving them special training by colleagues from the Investment, Law and Income Tracking department. “We want to give them the opportunity to develop a business sense and think on a global scale,” continues the BMG manager. “We want to develop them into ‘all-round executives,’ and make their creative output even more successful.” This will allow them to better assess, during discussions with authors’ managers or lawyers, for example, how promising the new songs are and what the financial details of a new contract should be – in terms of advances, for example.

This strategic approach also works internationally. “We initially launched our new model in the U.S., with outstanding success,” says Wolf. Other countries have gradually been added since. They use the tools provided at varying levels of intensity and continue developing them for their own purposes. “It was definitely worth spending so much time and effort on the development and intensive global rollout of Soundlab and DAT:IVE,” concludes Scherer. “We’ve achieved the desired effect.”
Shop Now, Pay Later

With Afterpay, Arvato Financial Solutions offers a purchase transaction solution that benefits both retailers and consumers. The demand for flexible payment models is reflected in the brand’s ongoing expansion in Europe.

The company Stormberg places a great priority on responsible conduct. Besides ensuring environmentally friendly production, the supplier of sports and outdoor clothing from Norway also attaches great importance to treating its customers fairly. “We have no intention of contributing to our customers getting into financial difficulties,” says CFO Ole Hasaas. Like Stormberg, more and more companies in Europe are relying on Afterpay’s Financial Solutions. Afterpay for the sale of goods online. What began as a business idea by a Netherlands start-up is now used by more than 6,000 web shops on the continent. But the solution is also interesting for stationary retailers. Afterpay is without doubt one of the fastest-growing and most international solutions for the finance industry.

Afterpay offers a solution for handling payment processes. When an online retailer uses Afterpay and integrates it into their webshop – whether directly or via another payment services provider – it allows their customers to select “pay after delivery” from various payment methods during the order process. For consumers, this is practical because they don’t have to pay for the ordered goods until after delivery. But for the very same reason, online retailers fear payment defaults and the associated risks for their own business. Retailers fear payment defaults and the associated risks for their own business. Afterpay bridges the gap between customers’ wishes and companies’ concerns, as well as making payment after delivery more attractive for both sides than ever before.

Arvato Financial Solutions had been cooperating with Afterpay since 2012 to gain experience with the solution. When Arvato bought Afterpay in January 2014, the company had established itself as the leading pay-after-delivery provider in its Dutch home market, where the brand also sponsored a team in the very popular sport of speedskating. At the end of 2015, Afterpay’s international footprint began to take shape. Arvato brought the solution to Denmark, Norway, Sweden and Finland, further strengthening its presence in Scandinavia following the acquisition of Gothia. Afterpay is now also available in Germany, Austria, Switzerland and Belgium and thus in total of nine European countries. “Afterpay is a success story and we’re very confident that we will gradually increase both the number of customers and its international availability,” says Sebastian Kespohl, Country Manager of Afterpay Germany at Arvato Financial Solutions.

Afterpay operates in a growing market. Online shopping is booming. E-commerce revenues in Europe are forecast to exceed €460 billion by 2018, almost double that of 2012. To make the virtual shopping experience as convenient as possible for consumers, retailers offer an increasing variety of payment methods. Pay after delivery is very popular, especially in the high-turnover fashion sector. Vendors benefit from the payment method, as customers usually add more products to their shopping cart when given this option.

Maximum freedom

Afterpay buys the outstanding debt from the vendor immediately after the order is placed, allowing the vendor to receive their money and concentrate on their actual business. After an identity and credit check, Afterpay takes over the complete risk. Afterpay grants shoppers the greatest possible freedom for settling their accounts. Payment can be made in the traditional way, all at once, or by means of an individual installment plan. This can be staggered according to the buyer’s wishes, extend- ed to several weeks, and even suspended if necessary. The MyAfterpay portal gives customers a clear overview of all their orders, invoices, returns and outstanding payments. “Our solution empowers the customer to retain control and flexibility over the order and lets them pay when and how they want,” explains Kespohl – which he says is a great advantage, especially in the event of unexpected expenditures. “If a family has just bought a new washing machine anyway, because they don’t have to pay for it until later.”

The customer satisfaction associated with this has a positive effect on the retailer’s image, says Kespohl. The look of the invoice also contributes to brand loyalty. It is in the retailer’s corporate design and shows photos of the ordered items, to remind the customer of their positive shopping experience. It also contains product recommendations and references to special promotions. “We use the invoice as another channel for addressing customers on the vendor’s behalf, which doesn’t incur any extra costs for us. Retaining existing customers is less expensive than acquiring new customers,” explains Kespohl. The online customer portal also prominently features the respective retailer’s branding. To target customers as precisely as possible, Afterpay provides retailers with a great deal of data about shoppers’ behavior. This allows the operator of a shop to draw conclusions about when a particular customer might be particularly receptive to a special offer, for example. “Afterpay empowers retailers to retain control of their customer relationships and even expand them,” concludes Kespohl.

Afterpay also serves as a platform for APIs to pilot digital payment methods. In Scandinavia, for example, the team is testing the “Fast Track” solution. It is based on wireless near-field communication (NFC) technology and allows for contactless payments of, say, a coffee or a hot dog in environments such as stadiums, amusement parks and ski resorts, using a transmitter wristband and Afterpay. Retailers have every reason to be full of anticipation given these trends: According to a study by the financial services provider USA Technology, consumers spend 12 percent more money on average when they pay for their purchases without cash. In any case, the sports experts at Stormberg intend to crack many more sales markets with Afterpay. Their confidence is justified, as CFO Ole Hasaas points out: “Without Arvato at our side, growth from 3.8 million to 30 million euros in just four years would not have been possible.”

You can read a detailed report on this topic on BENET under News/Hot Topics/Global Business/Bertelsmann.
Printed In Gütersloh, Distributed Throughout Europe

Eight years ago, the print and media services provider Mohn Media rebuilt its brochure product line. Today, Dirk Kemmerer, CEO of Mohn Media and Digital Marketing of the Bertelsmann Printing Group, sees the brochure business as one of the company’s most important mainstays.

What do a supermarket customer from Poland, a bargain hunter from France, and a dog owner from Ireland have in common? Well, all of them are very likely to have heard of the German city of Gütersloh. Yet they are highly likely to have numerous points of contact with Gütersloh in their everyday lives, without knowing it. How come? Because many of the flyers that are displayed in supermarkets in Poland, France, Ireland and many other European countries, or that are delivered to consumers’ mailboxes, are produced there in Gütersloh. In huge quantities.

Each month, some 200 million brochures are printed and finished at Mohn Media, and delivered from there to more than 15 countries across Europe. These 96-page presses in the halls on Carl-Bertelsmann-Strasse in Gütersloh are dedicated to the printing of brochures, or flyers. As a result, the brochure business has developed into one of the Bertelsmann Printing Group’s key growth drivers in recent years – despite the increasing digitalization of society. “This form of advertising works extremely well,” says Kemmerer, CEO of Mohn Media and Digital Marketing of the Bertelsmann Printing Group. “Despite trends such as mobile couponing, the absolute number of flyers has increased in recent years.”

In light of the increase in flyer advertising to private homes and the resulting increase in print volume in the brochure sector, Mohn Media returned to the business in 2010 after a long hiatus and rebuilt its brochure product line. “Since many of our retail customers operate outlets throughout Europe, we also deliver brochures to Belgium, the Netherlands, Italy, Spain and Eastern Europe,” says Kemmerer. Food retailers account for the largest share, so the colorful brochures from Gütersloh usually end up in the hands of supermarket customers.

“This form of advertising works extremely well”

DIRK KEMMERER

There’s also a good chance that brochures from East Westphalia find their way to pet owners across Europe – because early this year, Mohn Media was able to win the Fressnapf Group as its latest client. The Krefeld-based franchiser is Europe’s largest specialist retail chain for pet food and accessories. In non-German-speaking countries, Fressnapf stores usually operate under the name “Maxi Zoo.” “The brochure for our client Fressnapf is a 12-page product printed on 45-grain newsprint,” says Kemmerer, describing the current order. Annually, 4.5 million Fressnapf brochures are produced at Mohn Media each month, and shipped from there through Germany as well as to France, Belgium, Ireland and Luxembourg. The Belgian edition is available in three different languages: Dutch, French and a bilingual version. The German edition, which has a print run of seven million copies, takes about a day to produce. The Fressnapf brochures rush through the giant printing press at speeds of 50 km/h, so that approximately 420,000 copies are produced per hour.

After printing, one of the key challenges is logistics. “In the case of our client Fressnapf, Ireland is currently the country farthest away from Gütersloh. This means that the trucks must be ordered in good time for the product to arrive on time. It’s a long way, not to mention we have to transport across water,” says Kemmerer. Out of a total of 12 countries in which Fressnapf currently operates franchises, Mohn Media currently supplies five with brochures “made in Gütersloh.” To spread the risk, it’s customary in business to award printing orders for different regions to different companies, explains Kemmerer, but from time to time Mohn Media has to step in and make up for production shortages in other countries.

Fast production times, long distances, on-time deliveries: Although brochure production always follows the same process every month, these three factors in particular ensure that the business is a new and exciting challenge every month for the many employees in sales, printing, finishing and distribution at Mohn Media. The internationality of the business is also something very special, emphasizes Kemmerer. “Our customers often have their headquarters in Germany and expect us to manage international distribution and communications for them. For example, our sales team colleagues deal with contacts from different countries every day and encounter many different cultural backgrounds.”

Opening up into new countries

Despite increasing digitalization, Kemmerer is positive about the future of the brochure business. His long-term plan is to develop sales in two directions. On the one hand, the business with existing clients is to be expanded. “One option, for example, would be to increase the frequency, meaning a brochure would appear more often per month than is currently the case.” The CEO can also imagine larger volumes, that is an increase in the number of pages, from 12 to 24 or 36 pages. “And of course we can continue to grow by opening up new countries,” says Kemmerer, summing up the opportunities in the business with existing clients. The second way forward is, of course, to acquire new clients for Mohn Media’s brochure business; the plan is to win one or two per year. In any case, Dirk Kemmerer is confident that “even five years from now, the brochure product line will still be one of the mainstays of Mohn Media’s business.”

Top: Dirk Kemmerer
CEO Mohn Media and Digital Marketing of the Bertelsmann Printing Group
Right: 14.5 million of these kinds of brochures are produced by Mohn Media every month and shipped to multiple European countries from there.

Mohn Media

Founded: 1835/1946
Employees: approx. 2,000
Head office: Gütersloh
Activities: Printing and media services from concept development to printing and dispatching
Business unit: Bertelsmann Printing Group
WWW.mohnmedia.de
Since Bertelsmann acquired the U.S. online education provider Relias, the company has grown its e-learning healthcare sector offering outside the U.S. After Great Britain and Germany, it opened an office in China last year.

Aging With Dignity – With Relias

Kate Ling, China General Manager at Relias

These people should age with dignity, and not just because respect for the elderly is a very strong feature of Chinese culture, says Ling. “There is an opportunity for us to share our 16 years of experience in the field of healthcare and senior care in a new country, and we want to help to support the establishment of quality standards in care here locally.”

“In Great Britain as well as Germany and China, our teams are composed of a balanced proportion of local employees and expatriates, i.e. internationally active specialists,” explains Relias CFO Björn Bauer. “The expats are of great importance because they can help transfer knowledge and share expertise.”

“We are still at the very beginning of our work in China, and development is slow, but steady,” explains Kate Ling, Relias China General Manager. “Three years ago there were around 500 senior care organizations in China. Today, there are more than 600 just in Beijing,” she says, illustrating the rapid development of recent years.

The company’s processes and culture are more perfectly positioned to connect with the headquarters in Cary! However, the CFO says the staff – and, in the long term, the management – should mostly be made up of people who live in the respective country and fully understand its culture and structures. He is now responsible for the Accounting, Finance, Legal and IT departments, as well as Relias’ international business in Germany.

The company’s processes and culture are more perfectly positioned to connect with the headquarters in Cary! However, the CFO says the staff – and, in the long term, the management – should mostly be made up of people who live in the respective country and fully understand its culture and structures. He is now responsible for the Accounting, Finance, Legal and IT departments, as well as Relias’ international business in Germany.

In the U.K. and Germany – as well as in Great Britain and Germany – are always mindful of the country’s cultural differences. ‘In the U.S. there are many continued-care retirement communities, which provide different types of housing and care levels on one site. And in these facilities it’s common to host a cocktail hour for the residents. When we found a scenario like this in our U.S. context, we changed it to a tea ceremony for the Chinese version, because it is more common here than a cocktail hour,’ says Ling, giving an example. Regardless of the mentality and culture of the people living there, the challenge for establishing a business for Relias is similar everywhere, which is why the offices in the U.K., Germany and China regularly exchange information with each other and with Relias headquarters in the U.S.

In Beijing, it was colleagues from the Corporate Center who gave Kate Ling and her team a roof over their heads in the early days. The Relias team has now moved into its own offices, a five-minute walk from the Corporate Center. Relias’ first customer was the Chinese insurance and financial services group Taikang. Since then, the team has gained three new customers and now offers more than 200 online courses for the Chinese market.

Specific cultural features

Although the content of the courses is similar, there is still some small but subtle differences depending on the country, because when designing and structuring them, colleagues in China – as well as in Great Britain and Germany – are always mindful of the country’s cultural differences. ‘In the U.S. there are many continued-care retirement communities, which provide different types of housing and care levels on one site. And in these facilities it’s common to host a cocktail hour for the residents. When we found a scenario like this in our U.S. context, we changed it to a tea ceremony for the Chinese version, because it is more common here than a cocktail hour,’ says Ling, giving an example. Regardless of the mentality and culture of the people living there, the challenges for establishing a business for Relias are similar everywhere, which is why the offices in the U.K., Germany and China regularly exchange information with each other and with Relias headquarters in the U.S.

When and where Relias will enter new territory after the U.K., Germany and China still remains to be seen. “China is such a big country that it counts for three new offices,” laughs Bauer. However, the CEO is certain that the company will open up new territories. “First of all, we want to continue growing where we are already present, both organically and – where it makes sense – through acquisitions. As a second step, we will look to expand into additional countries once our current international business is well positioned.”

Ling and her team also look to the future with optimism and ambition. The Relias mission has always been and still is to improve the lives of the most vulnerable members of our society and those who care for them. “...and that is also true for China: halfway around the world from where we started.”
Ivy League For All

Based on its collaboration with renowned universities such as Harvard, INSEAD and Columbia, the Indian education company Eruditus, in which Bertelsmann has owned a stake since April 2017, offers its students all over the world an Ivy League-standard education.

Eruditus co-founder Kalipatnapu worked in the Executive Education department at INSEAD. He managed to win INSEAD for a partnership. "That was the birth of Eruditus," says the Eruditus Director. The company’s name is derived from the Latin "eruditus," which is also the root of the English word "erudite," a synonym for learned, scholarly or educated.

In 2011, Eruditus launched with just 120 course participants. Last fiscal year, some 9,900 participants from more than 150 countries enrolled in Eruditus courses. The Indian education provider now collaborates with eight leading universities: MIT, Harvard, INSEAD, Wharton, Columbia, Berkeley, Dartmouth and Kellogg. Eruditus offers currently comprises 38 programs in 150 countries enrolled in Eruditus courses. With this development in mind, soon 70 million students were enrolled in freely accessible online courses, known as MOOCs (Massive Open Online Courses). Online education is also gaining ground in India, Eruditus’ home country: “The future of education in India clearly lies in online education,” says Damera. Worldwide, there is a high demand for continuing professional training, both from employees and from companies, for example in new fields such as data science and digital transformation.

With this development in mind, soon after the successful launch of Eruditus, Damera and Kalipatnapu began to establish a second pillar for the educational provider: the Emeritus Institute of Management. While Eruditus programs are between six and 12 months long, are paid for by the participants themselves, and teach their content in a mix of classroom and online courses (“blended learning”), Emeritus online courses are usually significantly shorter and generally cheaper. Customers here also include companies that want to train their employees. Emeritus collaborates with the MIT Sloan School of Management, Columbia Business School and the Tuck School of Business at Dartmouth. According to Damera, both areas are characterized by their own clear brand identity and an unmistakable offering.

Expansion of the business

The two Eruditus Directors, Ashwin Damera and Chaitanya Kalipatnapu, and their team, are working hard to expand the business. Eruditus already has offices in New Delhi, Mumbai, Boston, Dubai and Singapore, and is mainly active in these regions. In future, Eruditus would also like to expand into China and South America. In order to gain a foothold in these new regions, however, the educational provider would have to start translating its content into the national languages, because at this point, the Eruditus courses are offered entirely in English. “For this reason, we are currently exploiting the possibilities of collaboration with local partners,” says Damera. Eruditus has already benefited from the global network of its largest investor, Bertelsmann, in connection with its possible market entry in China and South America. “Bertelsmann has provided us with great introductions in China and Latin America,” explains Damera.

Eruditus has clear growth targets for the future: “We want to achieve revenues of more than $100 million in the upcoming financial year, and significantly increase the number of students enrolled worldwide,” announces Damera. He forecasts that at that point, it won’t just be 120 course participants benefiting from Ivy League quality in their continued professional training, as was the case in 2011 – but more than 30,000 pro-fessionals and executives around the world.

“This is just the beginning of our journey”

ASHWIN DAMERA

Partners with the universities to offer the various courses, most of which bear the names of the respective institution. “This high-quality education has a profound impact on our professional lives,” says Damera, adding that this conviction gave rise to the idea of cascading similar benefits to all those professionals who couldn’t afford to enroll in a full-time Master of Business Administration (MBA) type program at a top U.S. university – either for reasons of time or money, or simply because they live on a different continent. “The basic idea was to combine curriculum innovation, technology and attractive pricing to provide broader access to Ivy League education,” says Damera.
Ten Years – Two Growth Stories

Any music, anytime, anywhere in the world:
The music world has undergone a fundamental transformation since the new BMG was founded in 2008. BMG, with its revolutionary business model, has accompanied songwriters and artists through this transformation from the very beginning.

Any music, anytime, anywhere in the world:
The music world has undergone a fundamental transformation since the new BMG was founded in 2008. BMG, with its revolutionary business model, has accompanied songwriters and artists through this transformation from the very beginning.

Bertelsmann Asia Investments is one of the first investors in the internet start-up Mogu Street, which was founded in 2011 by Qi “Shark” Chen (pictured). The company provides young women in particular with a platform for talking about fashion and beauty topics – a business with great potential, as soon became apparent. Following its merger with competitors Meilishuo and TaoShijie in 2016, the group, since renamed Meili, is now China’s largest online shopping community for women’s fashion.

Ten Years of BMG + Bertelsmann Asia Investments

They started their businesses thousands of kilometers apart – and have contributed to the Group’s success in very different ways since then. Ten years ago, Bertelsmann founded the Beijing-based investment fund Bertelsmann Asia Investments (BAI), and shortly thereafter, the new music company BMG based in Berlin.

What they have in common is that in ten years, they both grew from small beginnings with just a handful of employees into new businesses with great strategic importance for Bertelsmann – one an innovative business model in a changing, digital music market, the other with holdings in promising new media, internet and mobile internet, online education, new technology, outsourcing, and services start-ups. And from the beginning, both BMG and BAI have been led by entrepreneurial talents. Hartwig Masuch manages BMG with great success; Annabelle Yu Long does the same at BAI. On the following pages, you can read about the success stories they have written, each in their own way and with their own teams, over the past ten years.
On Our Own Steam.  
With Our Own Minds.  
In Our Own Group.

As CFO of Bertelsmann, Thomas Rabe helped launch the new Bertelsmann Music Group (BMG) and the Bertelsmann Asia Investment (BAI) fund 10 years ago. As CEO, he continued to accompany them on their path, developing them into growth businesses of central strategic importance. Rabe looks back on 10 years of BMG and BAI.

The new Bertelsmann strives to be a faster-growing, more international, more digital and more diversified company. We announced this aspiration in 2012 and have achieved a great deal since then. Two businesses that celebrate their 10th anniversary this year have made a big contribution: our music company, BMG, and our Chinese fund, BAI. I still remember well 2008, the year we started BAI, and later BMG.

China, with its great potential, was already a focus of our attention at the time. Four years later, it was joined by India and Brazil, where we often benefited from our experience from China. In January 2008, Annabelle Yu Long was appointed as the first Managing Director of BAI. She is still at its helm today – and with her team has notched up a track record that is second to none. BAI has made around 100 investments. The fund has long since established itself as one of the most renowned investors in China and far beyond. The Bertelsmann Investments division, of which BAI is a part, now significantly contributes to Bertelsmann’s Group net income.

That same year – shortly after we had divested our previous music activities – BMG was born of the firm belief that a new digital era called for a new, digital music business. The iPhone was just one year old. The first major streaming service, Spotify, had just been founded. Music was no longer dependent on physical recording media, and hence on the “old-school” music business. Hartwig Masuch and his small team created the first music company for the digital world.

These two success stories are a source of real pleasure to me: as a music fan, as someone who was fascinated by China and its possibilities from an early stage – and as Chairman and CEO of Bertelsmann. For they are entrepreneurial success stories, written by people and teams from our Group who used their entrepreneurship and their creativity – and the support of the Group – to build entirely new businesses from scratch.

Today I would like to congratulate the teams from BMG and BAI on their anniversary and their achievements. I look forward to the future of these two businesses. They will continue to be a source of joy for Bertelsmann.

“The success stories of BMG and BAI are a source of real pleasure to me”

THOMAS RABE

Thomas Rabe  
CEO of Bertelsmann
The Ideal Partner For Musicians

People who call themselves “founder and CEO” tend to be creators of hip start-ups from Silicon Valley garages. But start-up stories can be written at large corporations, too. And that’s exactly what BMG founder and CEO Hartwig Masuch, BMG CFO Max Dressendorfer and Bertelsmann CEO Thomas Rabe did in 2008 by founding BMG. In this interview, Masuch recalls the beginnings of an innovative new music company and its rapid rise.

Mr. Masuch, how do you remember the beginnings of BMG? Where did it happen? And who was involved?

The place was a pizzeria on Ackerstrasse in Berlin. I still remember it as if it was yesterday. Thomas Rabe and I met over lunch. Bertelsmann had just prepared to divest its entire music business, but with a heavy heart. On a personal level, this was especially true for Thomas Rabe. It was probably a stroke of good fortune that he wasn’t just CFO but also a keen music fan. Both of us firmly believed that the fundamentals of the music business had to be – and could be – completely reinvented. That there could be a new combination of entrepreneurial rationality and musical creativity – without a management that was primarily self-serving; without artists who were done out of most of the proceeds of their work; without shareholders who were fobbed off with a concert ticket. Because that’s exactly what the music industry was like back then. It had become completely anachronistic.

What expectations did you have when you started out? Which ones were fulfilled, and which were exceeded?

I certainly did not expect that within 10 years it would turn into a business with revenues of almost €600 million. For me, the fact that this is what happened is proof and a prime example of how entrepreneurial and flexible Bertelsmann can be, even as a big corporation. The ambitions of Max Dressendorfer and myself were initially limited to linking a smaller new music business to Bertelsmann’s strong television business and restricting it to Europe, but the financial crisis changed everything overnight. Absolutely everything. We realized that music catalogs – by today’s standards – were going cheap. And in the United States, no less, the world’s biggest market. Within a few weeks, a complex joint venture with KKR was set up.

“Bertelsmann instinctively recognized the opportunities and immediately seized them”

HARTWIG MASUCH
In Kay Kraft, now CEO of the Bertelsmann Education Group, we gained the perfect complement to BMG’s creative power. He brought M&A expertise, and we contributed experience in the music business. The focus shifted across the Atlantic – and a shopping spree began that is unparalleled in music history. Bertelsmann instinctively recognized the opportunities and immediately seized them.

What has the new BMG preserved from its beginnings in 2008 through today? Its values and its customer-friendliness. Fairness, transparency and service orientation characterized us in the early days. They still characterize BMG today. We have succeeded in transferring essential aspects of the start-up culture into today’s far more complex corporate structures with many more employees, countries, offices and sales.

“If is also the secret recipe behind BMG’s success? I’m sure of it. Essentially, our values boil down to one crucial element: commitment to, as well as strong belief in, treating our artists with respect, and making them the focus of what we do. The major cultural contribution that rock and pop musicians make to today’s world is often underestimated. At BMG, we respect it. That was our starting point in 2008. In 2018, it’s our big competitive advantage. Because of course the artists have long since realized that digitalization has shifted all the parameters in the music business, and in their favor. Pressing plants, warehouses and complex logistics are no longer needed to bring their music to the listener. And as a result, music companies can no longer claim the lion’s share of the revenues for themselves. The opportunities of purely digital music distribution have caused artists to have new expectations – expectations that we have been meeting for 10 years, sooner and more systematically than everyone else. Digitalization has consequently reconfirmed the immortality of such songs – and provided a huge service to the catalog business. By contrast, the recorded-music business only generates around 50 percent of the revenues from their music.

Speaking of digitalization, how important is it to BMG’s success? Digitalization and the BMG success story are two sides of the same coin. We are the first all-new, internationally recognized the opportunities and immediately seized them.

BMG was launched primarily as a music publisher – and today is an all-round music company. What role does the recorded-music business play nowadays, and what about the other lines of business, such as film and production music? The publishing business is the starting point and core of BMG’s activities. It accounts for the lion’s share of our business. Its unmatched appeal lies in the durability and longevity of the catalog business. It has always been the case that the recorded-music business lived by a constant stream of new hits, while the music publishers earned their revenues with great songs that were played again and again – back then on the radio, now on streaming services. We know that 70 percent of all streams on Spotify are from the catalog: that is, strong songs from bygone decades. Digitalization has manifestly reconfirmed the immortality of such songs – and provided a huge service to the catalog business. By contrast, the recorded-music business only generates around 50 percent of revenues at BMG today. But this will shift by about one third... Why? There are three good reasons for this: First, revenues for a transaction in recorded music are far to nine times higher than for a comparable transaction in the music publishing business. That is itself is already attractive. Second, because of digitalization, the previously comparatively more complex record business processes are converging with those of the publishing business. They are essentially merging. Third, the artists whose copyrights we manage are increasingly approaching us about producing their new songs with them as well. This automatically puts us in the middle of the recorded-music realm. Because they prefer to have everything from a single source, we now offer musicians B&B rights management for TV and film as well as the production of video material, with our two new Production Music and Audiovisuals business units. The latter is becoming more and more important for music – think YouTube – and ever easier to produce. And so, just 10 years later, BMG the music publisher of 2008 has become a modern all-rounder, a new kind of music company.

What are the nicest moments you remember from the last 10 years of BMG, and what setbacks have you stayed with you? And do you yourself have a personal favorite song from the first 10 years? Because there have been so many great moments, I’ll start with the one and only major setback: that was when EMI Music Publishing was bought out from under our noses at the last minute in 2012. And now for the unforgettable experiences – they have always been and still are the encounters with the artists who, I’m the first to admit, I really admire. If, like me, as an 11-year-old in Hagen, Westphalia, you used to spend all your pocket money on records, then it still blows your mind to be able to visit Keith Richards in the studio in New York, meet Roger Waters at a Pink Floyd exhibition in Rome or bump into Mick Jagger by chance in London – to mention just a few occasions.

... by chance? Yes! We’re sitting in a restaurant with the BMG management team and Mick’s brother, when all of a sudden, things get quiet around us, and Mick’s brother casually says, “Oh, there’s Mack.” And then he comes and sits down with us. He asks how I am and what I think of Angela Merkel. Mick Jagger. Suddenly I was that 11-year-old from Hagen, Westphalia, again. So your favorite BMG song is by the Stones? No, by Nena. She was one of our first-ever artists, and “Wir sind wahr” was her first song at BMG. Unfortunately, it wasn’t a hit, but it’s a great song. I love it.

The first 10 years of BMG were dominated by building the business and making acquisitions. What will characterize the phase that is now beginning? In the past 10 years, we’ve built a smoothly functioning and universally accepted platform. Now we will use this platform to attract new artists – with old and new repertoires. This means that a phase of acquisition and efficiency will be followed by a phase of organic growth and the qualitative positioning of BMG as the ideal partner for musicians. With this in mind, it’s important to remember that the music business pie is not fully divided and distributed yet. Many artists own the rights to their own great songs themselves. We are very interested in signing them.

What role do the United States and United Kingdom play in your future plans? Even though BMG has its headquarters in Berlin, much of the music business happens in the United Kingdom as one of the most innovative places for music, and the United States as the world’s largest music market. While the United States already accounts for 50 percent of our revenues, the share of British catalogs among the world’s most important ones is disproportionately high. Consequently, BMG will keep its strategic focus on these two markets – North America as a whole, and Britain. We can exploit the potential in the United Kingdom even better, and at the same time we are a partner that is fully accepted by all sides in the United States, with an incredibly successful team in New York, Los Angeles and Nashville.

... Nashville? Yes. Our approach of gaining more international acclaim for country music, which is moving stylistically closer and closer to rock, is working out really well. And, in addition to the above-mentioned core markets, we are further accelerating the internationalization of BMG. After launching in Brazil and Australia in 2017, we have our eye on Africa, Eastern Europe and Southeast Asia for our 20th anniversary year in 2018. BMG is opening an office in Southeast Asia, and we will probably manage Eastern Europe from Berlin. I think the move into Africa is particularly exciting. For the first time in history, it has become possible to open up a continent that the music market has never had on its radar. But if music fans in Côte d’Ivoire want to hear Kylie Minogue, digitization makes it easy to fulfill that wish – and legally, too.

How will you personally celebrate BMG’s birthday? By going to as many concerts as possible. Several of my idols are, or have been, on tour in Germany this year. For example, Roger Waters, Nena, Iron Maiden, the Rolling Stones, Ringo Starr, Kenny Kravitz and Brian May. That’s really no better way to celebrate music and a music company.

‘Just 10 years later, BMG the music publisher of 2008 has become a modern all-rounder’

HARTWIG MASUCH

For Hartwig Masuch, BMG’s success story is “proof and a prime example of how entrepreneurial and flexible Bertelsmann can be, even as a big corporation.”
Music Meets Finance

Along with Thomas Rabe and Hartwig Masuch, CFO Maximilian Dressendörfer has been with the new BMG from the very start.

Strong Growth – Strong Team

BMG’s success is the result of a distinct team spirit: also found within senior management. Through this, the music company wants to continue growing in the future.

Significant Reframing

“Ten years after its foundation, BMG continues to grow strongly,” says Hartwig Masuch, marking the expansion of BMG’s leadership. “This growth requires a constant development in our management structure. I am happy to announce this significant reframing, which will provide Maximilian and I with a broader spectrum and can be seen as both a significant reframing, and as a strengthening of our management structure.”

Ben Katovsky joined BMG as Senior Vice President Operations Strategy in April 2015. He was involved in the successful development of the supply chain in the recorded music division and in the installations of the new service centers in Berlin and Nashville. Furthermore, he contributed to the development of strategies for emergent markets.

Ama Walton has been working at BMG since June 2017. Since starting at the company, she has successfully contributed to the development of the company’s digital strategy, has overseen negotiations with the biggest digital service providers and has given BMG’s worldwide licensing strategy crucial momentum. Moreover, she was involved in the strategy development in the media policy department and looked after cooperation and coordination with collecting societies in the USA and Europe.

If Hartwig Masuch is the visionary and strategist, the music industry-insider who has driven Bertelsmann’s reentry into the music business, Maximilian Dressendörfer is the analytical and financial expert who has stood at Masuch’s side every step of the way.

Dressendörfer was by no means new to the music business when he joined the new BMG team in 2008. As a talented member of Bertelsmann’s finance team under then-CFO Thomas Rabe, Maximilian Dressendörfer had led strategy reviews of the old BMG Music Publishing and Sony-BMG joint venture as music sales slumped under the onslaught of the Internet. Dressendörfer’s conclusion was that the structural costs of the traditional music business were too high and it might well be quicker, easier and cheaper to start again from scratch. “Analysis is one thing,” says Dressendörfer. “Our reputation can be won or lost, even at the most junior level of the organization. We impress on all our employees the need to understand that we are ultimately responsible for the livelihoods of our songwriter and artist clients. We owe it to them to always operate at the highest levels of service.”

“We are passionate about putting our values into practice.”

MAXIMILIAN DRESSENDORFER

And the number is still rising. This growth in the world’s most significant music market, the number of employees is within my teams,” he says. “Some of the most passionate music fans are our songwriter and artist clients. We are passionate about putting our values into practice.”

“We are passionate about putting our values into practice.”

MAXIMILIAN DRESSENDORFER

“Ten years on – and more than 100 significant acquisitions and integrations later – Dressendörfer is responsible for BMG’s entire financial and fee division, and thus for around a quarter of the company’s total employees. The CFO explains: “Our services demand an approach that is entirely different from the requirements of repertoire development and evaluation, but for BMG to work effectively, all these different skill sets need to come together and work smoothly.”

Best possible service

In the service teams, the BMG core values of Fairness, Transparency and Service are put to the test daily. This applies to areas such as copyright, now under CEO Ben Katovsky’s responsibility, which ensures the registration of details of artist copyrights (see right), as well as to the area of royalty claims, which ensures artists and songwriters are paid accurately for the use of their rights. “We are passionate about putting our values into practice,” says Dressendörfer. “Our reputation can be kept increasing – to more than 750 now. And the number is still rising. This growth in the world’s most significant music market, the number of employees is within my teams,” he says. “Some of the most passionate music fans are our songwriter and artist clients. We are passionate about putting our values into practice.”

“We are passionate about putting our values into practice.”

MAXIMILIAN DRESSENDORFER

Ten years on – and more than 100 significant acquisitions and integrations later – Dressendörfer is responsible for BMG’s entire financial and fee division, and thus for around a quarter of the company’s total employees. The CFO explains: “Our services demand an approach that is entirely different from the requirements of repertoire development and evaluation, but for BMG to work effectively, all these different skill sets need to come together and work smoothly.”

Best possible service

In the service teams, the BMG core values of Fairness, Transparency and Service are put to the test daily. This applies to areas such as copyright, now under CEO Ben Katovsky’s responsibility, which ensures the registration of details of artist copyrights (see right), as well as to the area of royalty claims, which ensures artists and songwriters are paid accurately for the use of their rights. “We are passionate about putting our values into practice,” says Dressendörfer. “Our reputation can be
The U.S. – The Biggest Music Market For BMG

The U.S. is the biggest BMG territory accounting for nearly half of all revenue. Zach Katz, President Repertoire and Marketing at BMG US, takes us behind the scenes of the world’s biggest music market.

Zach Katz,
President Repertoire and Marketing at BMG US

It’s still the global benchmark: today, as it was 50 years ago, the American music market is the largest and most important in the world. In 2016, more than a third of worldwide music sales, $5.32 billion to be precise, were generated in the U.S. – as was nearly 50 percent of the global music download business and close to 40 percent of the increasingly important streaming business. The U.S. is also by far the most important market for BMG, which was founded 10 years ago. Forty-four percent of its total revenues are generated here, and nearly 100 of BMG’s 735 employees work in the U.S.

BMG’s U.S. business is doing exceptionally well. “Our revenues are growing faster than the market, and unlike many record labels, we manage to turn revenue into profit,” says Zach Katz, President of Repertoire and Marketing at BMG US. Notably BMG is not only more profitable than its peers, it also pays a much larger share of its revenues to its songwriter and artist clients. “That’s our benchmark, and here we beat every competitor, especially in the recorded-music sector,” emphasizes Katz. He says this is only possible thanks to BMG’s very lean structure. It does without recorded-music sector, “a whole sandbox full of toys” from which they can then select what they want. “BMG is now a multi-territory, multimedia music company that can offer its artists support in all creative areas thanks to its business model,” says the BMG US head. It is a model that has proven attractive for BMG songwriters like Bruno Mars, John Legend, Quincy Jones, Pitbull, Frank Ocean and Poo Bear, as well as for BMG recording artists such as Janet Jackson, Blink 182, Avril Lavigne, Nickelback, Blondie and Jason Aldean.

Despite the size and importance of the U.S. music market for BMG, Katz is careful to emphasize that the Bertelsmann music subsidiary owes much of its success to its integrated international structure. “Our global approach and global reach are important ingredients in BMG’s secret sauce,” says Katz. Indeed, he says, all of BMG’s country managing directors can promise artists cooperation with other countries. This is possible because of the company’s focus on delivering tangible services to its clients, creating value for artists and songwriters. "We are not here to tell artists what they have to do," emphasizes the BMG US boss. “Modern artists are basically the CEOs of their own companies. We respect them accordingly, treat them as partners and support them in their creative process.” He says he is still surprised by how little this attitude is practiced at some major record labels, even today.

**Sandbox full of toys**

For Zach Katz and BMG, supporting artists’ creative work means supporting them in all areas of the music business: in the music publishing business regarding the exploitation of song rights; in recorded music, music’s core business of recording songs and albums; and in the development of related creative areas such as movies, TV and books. Katz says BMG offers modern artists “a whole sandbox full of toys” from which they can then select what they want. “BMG is now a multi-territory, multimedia music company that can offer its artists support in all creative areas thanks to its business model,” says the BMG US head. It is a model that has proven attractive for BMG songwriters like Bruno Mars, John Legend, Quincy Jones, Pitbull, Frank Ocean and Poo Bear, as well as for BMG recording artists such as Janet Jackson, Blink 182, Avril Lavigne, Nickelback, Blondie and Jason Aldean.

Despite the size and importance of the U.S. music market for BMG, Katz is careful to emphasize that the Bertelsmann music subsidiary owes much of its success to its integrated international structure. “Our global approach and global reach are important ingredients in BMG’s secret sauce,” says Katz. Indeed, he says, all of BMG’s country managing directors can promise artists cooperation with other countries. This is possible because of the company’s focus on delivering tangible services to its clients, creating value for artists and songwriters. "We are not

its peers, it also pays a much larger share of its revenues to its songwriter and artist clients. “That’s our benchmark, and here we beat every competitor, especially in the recorded-music sector,” emphasizes Katz. He says this is only possible thanks to BMG’s very lean structure. It does without the traditional cumbersome record company overhead. Katz says this is a result of the company’s focus on delivering tangible services to its clients, creating value for artists and songwriters. "We are not here to tell artists what they have to do," emphasizes the BMG US boss. “Modern artists are basically the CEOs of their own companies. We respect them accordingly, treat them as partners and support them in their creative process.” He says he is still surprised by how little this attitude is practiced at some major record labels, even today.

**Part of something bigger**

Major music companies (the “majors”) have also recognized how attractive BMG’s “secret sauce” is. “The majors have started at least paying lip service to our values, such as transparency, fairness and partnership,” says Katz. “When we first launched a decade ago, we were a complete unknown. Today, everyone knows us, knows what we stand for and increasingly tries to copy us,” says Katz.

Historically the music industry has focused on “the next big thing,” with the ability to “break” artists regarded as the benchmark of success. At BMG, says Katz, there is a very different repertoire strategy with a strong focus on proven talent and established artists. This has produced a roster with world-famous names such as Brian Ferry, David Crosby, Black Sabbath, Morrissey, Blondie, Texas, Albert Hammond, Jean-Michel Jarre, the Scorpions and Marc Almond. Unlike many other record labels, Katz says BMG doesn’t just want to manage the musical heritage of these artists, but also seeks to support them in their new projects.

In the nearly two years since he has led the U.S. business, the pace of BMG’s development has accelerated further. The first milestone was the acquisition of Nashville-based Broken Bow Records (BBR) for $103 million in January 2017. With 50 employees and country superstardoms like Jason Aldean under contract, BBR was Nashville’s largest independent company at the time; for BMG, the deal marked its largest single purchase in the recorded music business since its establishment in 2008. And unlike in the genres of pop, rock and urban, BMG was not yet represented in country music – only its music publishing department was active in Nashville at the time. “The potential of country music is huge, and Nashville will be music’s next growth center,” says Katz. He adds that the genre is increasingly approaching the mainstream, so it won’t just grow in the United States, but will also be interesting for music markets beyond the U.S. “The expansion of our recorded music business is our clear focus,” states the BMG US boss. In 2017, music publishing accounted for 48 percent and recorded music for 32 percent of BMG US revenues. Katz expects this ratio to increase to 50-50 over the next two to three years, through growth in the recorded business.

Katz sees collaboration with other creative companies, especially from the film and television industry, as an important pillar for BMG in the U.S. For example, in February 2017, BMG signed an exclusive contract with the video streaming platform Netflix for the exclusive worldwide exploitation of Netflix music rights outside the United States. “Many in the industry would probably have loved to sign this contract, but Netflix wanted to work with a partner who has a similar, modern view of the business – and that’s us,” says the music manager. The same goes for Steven Spielberg’s film company Amblin Partners, for which BMG also manages the music rights, and for its sister company Fremantle, which also relies on BMG. “These collaborations are about more than just collecting money,” says Katz. “These companies demand our creative support. They want joint projects, they want partnership.”

**The U.S. Music Market**

- **Revenues:** US$5.32 billion
- **Share of the U.S. market:** 70.4%
- **Share of the U.S. market in the global music market:** 34% → No. 1 in the world
- **Share of the U.S. digital business in the global music market:** 46%

- **Share of the U.S. digital business in the global music market:** 46%
- **FB employees:** approx. 300

---

**Songwriters Quincy Jones and Poo Bear (top photos) as well as artists like Janet Jackson (left) are under contract with BMG. Janet Jackson is considered an iconic artist in the U.S. Dustin Lynch (right) is one of the stars represented by the country label Broken Bow Records.**
Country Is Cool

At the beginning of 2017, BMG acquired the BBR Music Group, home to several country music labels. With the biggest recording deal in its history, BMG entered into a market that is growing at the global level – and found a partner it’s truly in tune with.

When BMG bought the BBR Music Group in early 2017, acquiring the country music labels Broken Bow Records, Stoney Creek Records, Wheelhouse Records, Red Bow Records and the country music publishing company Magic Mustang Music, the purchase marked its entry into one of the fastest-growing branches of music. Surveys by the Country Music Association (CMA) show that in the United States, 207 million people aged 12 and over regularly listen to country music – that’s 42 percent of the U.S. population. The share of millennials in the fan base has grown by 54 percent since 2005, and young people dig country!

One-third loves country

Nor is the trend limited to the United States. In Germany, Britain and Australia, more than one-third of the population listens to country, as do half the populations of Scandinavia and Canada. In Mexico and South America, streaming downloads of country music continue to rise, and in many African countries, country is an integral part of the radio program. Country musicians and BBR artists like Jason Aldean, Dustin Lynch and Trace Adkins are no longer phenomena limited to the United States. There are many reasons for this popularity. Stylistically, country artists are moving closer and closer to mainstream rock and pop. Their media staging has become more professional and contemporary. As Jon Loba, EVP, BBR Music Group, sees it, another factor plays the crucial role: “Country music tells stories more than other genres. It’s about the ups and downs of ordinary people’s lives. That’s why people identify with it so easily.” Loba and BBR Music Group are both based in Nashville, the state capital of Tennessee, and the world capital of country music. With the acquisition of BBR, BMG has its finger directly on the pulse of the entire scene. “All musicians form a community where people help each other. Here we really believe that ‘a rising tide lifts all boats.’ It’s unparalleled,” says Loba, describing the atmosphere in Nashville.

BMG’s global network

Loba previously worked for BBR before it was purchased by BMG, so he is in the best possible position to tell us what has changed since then – and what hasn’t: “Before, we had no international visibility. This has changed virtually overnight thanks to BMG’s global network.” Meanwhile, Loba says there has been continuity in terms of corporate culture. “For us, as well as for BMG, the artists are the top priority. We share the same spirit and values. What made BBR unique wasn’t lost with the acquisition; on the contrary, BMG has strengthened our brand essence. We’re re-already believe that ‘a rising tide lifts all boats.’”

BMG has strengthened our brand essence

JON LOBA

“I have been able to create my own career path within BMG and have been supported and mentored by so many people. I take a special working atmosphere to allow that to happen.”

DAVID MILLER
VP, European Repertoire

“BMG provides employees the opportunity to help artists and songwriters achieve their creative goals and is an innovative company, always encouraging me to think outside the box.”

KALEENA HUTCHINS
Marketing Manager, Global Repertoire

“I love that my job requires that I work with so many parts of the business, from working creatively in the studio or working with the sales team on major broadcasting deals to brainstorming with IT on the latest music start-up.”

LAURA BELL
Managing Director, BMG + GSA, BMG Production Music

“What I like most about my job at BMG is the entrepreneurial freedom and the team of fantastic colleagues.”

JASMINA ZAMMIT
General Manager, BMG Brazil

“It’s great to interact with exceptional people from different levels of the organization across all international offices. I also appreciate the ability to learn and grow, which happens on a daily basis.”

SEBASTIAN HENTSCHHEL
CTO, EVP Group Technology & Recorded Royalty Processing

“BMG is an open-minded workplace. People can knock on any door and share an idea that will be considered. Maybe it’s the creative energy behind music, but there’s a genuine joy in the office.”

ANDREAS KATSOUBAS
Senior Vice President, Global Repertoire

“We all work closely together, and we are very collaborative at BMG. I really feel part of a close team.”

LISA CULLINGTON
Senior Director, Publishing

“I love the fact that BMG is a vital worldwide network of people who are not only passionate about music and committed to representing our creative clients with hard work and integrity, but who also act as a strong and affirming community.”

JAN SIMENSON
Manager, Creative Administration

A Team Full Of Creative Energy

BMG’s special corporate culture is characterized by openness, autonomy, a spirit of innovation, and trusting collaboration on an equal footing. Employees from various countries share their experiences here.
Music – Made In Germany

The German music market operates a bit differently than other markets in Europe. But BMG knows how to handle the phenomena specific to its home market, and in doing so relies primarily on artist brands.

When it comes to listening to music, Germans seem to have some idiosyncrasies. Because while most key European music markets have been dominated by the digital business for some years now in this age of Spotify, Deezer and company, last year, Germans continued to buy more CDs, rather than use one of the various streaming providers to listen to music. This is not to say, however, that audio streaming isn’t becoming increasingly important in Germany, too. BMG has demonstrated time and again that it is well able to take advantage of both phenomena in its home market.

“We’ve had a very good year overall,” says Dominique Kulling, Managing Director at BMG for Germany, Austria and Switzerland. “People’s ties and loyalty to artists are very strong local repertoire,” she explains. “It is and was important to show that we have marketing and product-management expertise, that we can think flexibly and creatively, in order to then work with the artist and their team as equal partners to execute a campaign.”

German artists and songwriters also achieve international success, although less often compared to the major Anglo-American repertoire markets, she says. “On the recording side, The Scorpions are certainly one of our most successful exports,” says Kulling. In the publishing business, for example, songwriter Alice Merton, who grew up in Canada as the daughter of a German mother and Irish father but now lives in Berlin, has seen her international career take off with her hit “No Roots.”

Thinking Internationally

“Our advantage at BMG is that our team is very connected internationally as well. And our highest priority is to think and work internationally,” emphasizes Kulling. She believes that not only is the network within BMG itself of great importance, but also the collaboration with other Bertelsmann companies – which is probably due to the fact that Kulling herself began her career at Fremantle.

“For example, the expertise of Sonopress helped us during the production of the boxsets for several artists. For many years now, we’ve collaborated closely with UFA in the field of licenses, music consulting and publishing administration,” explains Kulling. In addition, she says there are currently many specific ideas with UFA Show and Factual and the book companies for individual artist brands – cookbook ideas, show concepts and comprehensive brand exploitation. She and her team are keeping a close eye on the development of the physical music market in Germany.

“Germans probably won’t part from the stereos they bought in the 1990s until they really don’t work anymore,” jokes Kulling.

The German music market

- Revenues: US$1.22 billion (figures for 2016)
- Share of the German digital business in the global music market: 11.7%
- No. 4 in the world
- Share of the German digital business in the global music market: 15%
- BMG employees: approx. 170
Britain – The Land Of Music Legends

Great Britain is a special music market for BMG; for decades, stars have been conquering the world from here with new ideas and songs. Many of the artists have signed with BMG – a rewarding business, as Alistair Norbury, President of Repertoire & Marketing at BMG U.K., is happy to report.

The Beatles, David Bowie, the Rolling Stones, Pink Floyd, Dire Straits, the Eurythmics – the list of important music stars and bands of past decades that came from the United Kingdom could be continued practically ad infinitum. The country is considered the motherland of pop music and has always provided a constant and fresh supply of hits from musical artists who are as creative as they are successful. And this goes far beyond national borders: The quality of the songs – and of course the fact that English is a world language – ensures their worldwide distribution and dissemination, as well as millions of fans around the globe. So, it’s no wonder that BMG has had a branch in the United Kingdom since its founding in 2008 – and has developed magnificently in the world’s third-largest music market, with turnover totaling US$1.25 billion, as Norbury confirms in our interview.

Norbury, who is responsible for scouting and signing new artists, believes that the United Kingdom remains one of the most creative music markets in the world. “It has generated many of music’s biggest stars,” he says. And no, BMG is all the happier to host many of the legends of British music, such as Mick Jagger and Keith Richards of the Rolling Stones, Robbie Williams, Pink Floyd co-founder Roger Waters, Van Morrison and Mark Knopfler of Dire Straits. Accordingly, almost every significant musical movement from the United Kingdom over the past 60 years is represented at BMG. “But British music never stands still,” Norbury points out, citing Grime – a contemporary British black urban music style that blends hip-hop and electronic music and is currently very popular. “We are very excited for the prospects of the writers we have signed in this genre, who are working with international, particularly U.S., writers.” Britain is also of particular importance for BMG itself, as Norbury notes. “In terms of investment, BMG in the U.K. receives a disproportionate amount of BMG’s overall budget based on the ability of the U.K. to export around the world. As the person responsible for new publishing and recording contracts with artists, I am very conscious of that responsibility.”

Overall, the British music market is doing well – which Norbury mainly attributes to the growing share of music streaming – but he is glad to say that “BMG is doing even better. We are consistently out-pacing the market and our competitors, so we are very happy with developments.” Ten years ago, BMG started from scratch in the United Kingdom. “We came from nowhere to become the biggest and most effective player outside the three major companies in both music publishing and recordings,” Norbury points out. Although that is great, it isn’t really BMG’s metric. “What is most exciting is that we have come up with a genuinely new formula for the music industry, which manages to pay out a higher share of revenue to artists and songwriters than the established players while also being more profitable for shareholders. I think everyone at BMG can be proud of that.”

Proven talent
Last year marked a step-change for BMG in the United Kingdom in terms of the record business. Building on its core repertoire strategy of proven artists and established talent, BMG U.K. delivered significant results for artists including Gary Numan, Morrissey, Sparks and Blondie, and started to bring through newer artists such as The Sherlocks and Rejtie Snow. In music publishing, BMG U.K. built a very strong position in the new wave of British black music with the likes of Ray BLK, Giggs, Mabel and Big Shaq. And “for 2018 we have a very strong lineup with Kylie, The Prodigy and some very big names still to be announced,” promises Norbury.

Collaboration with other Bertelsmann divisions is a sensible and profitable enhancement of the business: “Bertelsmann values Bertelsmann capabilities and the Bertelsmann commitment to collaboration are all part of the DNA of BMG. When talking to artists, it is a real benefit that we can point to the links with our sister companies such as Fremantle, Penguin Random House, and Grüner & Jahr,” says Norbury. “Relationships with our fellow divisions are very good. They are generous with their time and advice. There is an incredible potential in these relationships.”

For all these reasons, Norbury is very optimistic about the future. “British music is going through a particularly creative period, and we continue to be committed to new artists,” he says. “But the most important thing for us is that we stick to our core repertoire strategy of proven talent and established artists.” Because in the streaming age, when users have 24/7 access to all the music in the world, they naturally gravitate to the best – and much of the best was either created many years ago or was created by artists who first became popular many years ago. “Research shows that more than two-thirds of listening on streaming platforms is to so-called catalog, i.e. music released more than two years ago,” explains Norbury. Seen from this vantage point, chasing the latest trend doesn’t always make sense.

Creative powerhouse
He believes that the streaming revolution has only just begun. “Streaming may already account for the largest share of revenues in the British recorded music business,” says Norbury, “but the real potential for British music is the ability streaming gives to monetize emerging markets which never had a significant physical record business such as Brazil or China.” So, BMG’s goal is to further expand the U.K. business and be recognized both internally and externally as a creative powerhouse. Already, BMG U.K. is the headquarters of the worldwide catalog recordings business under the leadership of Norbury’s colleague Peter Stack. Working closely with Stack and their colleagues Paul Wilson, who is responsible for finance, and Ben Kainovsky, who is responsible for rights administration, Norbury looks forward to developing the United Kingdom as a key location for BMG.
“Our Home”
Artists and songwriters – some long-time partners with BMG and others only recently signed – congratulate BMG on its 10th anniversary.

“BMG treat us with respect and we meet them there. I love the relationships I have with all those who work on the James project.”

TIM BOOTH, singer of the British band James

“I had been approached about writing my autobiography several times over the years, but it wasn’t until I started working with BMG that I knew I’d found the right fit. I’m so happy to have found the perfect partner to help me tell the story of my nearly seven decades in music. If any of my peers were to ask me for tips on writing a memoir I’d tell ‘em, ‘Go to BMG!’”

WANDA JACKSON, American singer

“Collaborating with Broken Bow has transformed my career. The staff at all levels shows a great passion for me as an artist and a person, and especially for my songs. They have really invested themselves to help my songs reach the charts. I’m grateful to have them at my side as a perfect partner.”

CHASE RICE, American country singer

“Happy 10th birthday to our new home – BMG! See you in and out and about.”

LIAM HOWLETT of the British band The Prodigy

“I’ve been delighted to be part of the new BMG since its fresh start. It has brought things full circle for me personally. Hartwig Masuch was my first contract partner 40 years ago. He believed in me then, as he does now – and I’m very grateful to him and book forward to more great years of collaboration.”

NEYA, German pop singer and one of the first BMG artists

“BMG has a fundamental milestone of my success. They offered me a publishing deal and then convinced me to give it a try as an interpreter of my songs as well. This has led to the achievement of winning two Sanremo Festivals in a row. The attention that BMG offers its artists is unique in the music business. BMG is a place I can call a home.”

FRANCESCO GABBANI, Italian singer

“Our Home”

“Having worked recently with the fine BMG teams in Berlin, London, Paris and New York, I have only great things to say. Of course, they know what they’re doing, but they do it with such a sense of commitment, and even enjoyment! I love working with these people and hope we will continue our long-standing relationship! Happy 10th anniversary to BMG Rights Management worldwide!”

PETULA CLARK, British singer and actress

“The BMG name has an amazing history in our industry. I’m really glad to be with the new BMG, along with so many other great artists. Especially at a time when music is spreading more and more globally.”

AVRIL LAVIGNE, French-Canadian rock and pop singer

“Ever since I first signed to BMG with my band Athlete, it has always just simply felt right. It seems strange to say about a company, but it does feel like a family. They’ve always supported me through the tough times and celebrated with me when stuff is good.”

JOEL POTTS, of the British band Athlete, and songwriter for George Ezra and James Bay

“I am so happy to have worked with BMG on my debut album, and I have big plans for the future with them – my family across the pond! Happy 10th anniversary, guys. I sincerely hope to be working with you on your 20th anniversary too!”

LEWIS CAPALDI, Scottish singer/songwriter (“Bruises”)

“Congratulations OCTOBER 2018”

“Happy 10th birthday to our new home – BMG! See you in and out and about.”

LIAM HOWLETT, singer of the British band The Prodigy

“We’ve very much enjoyed working with BMG for many years and on all levels. It’s refreshing to go through all the processes that are necessary for successful placements of new projects with a young and highly motivated team. Happy Anniversary BMG, you rock like a hurricane!”

KLADIUS MEINE, singer/songwriter with the German rock band SCORPIONS

“We had been hoping to create a Zombies book for quite some time. At our first meeting with BMG, I knew that they were serious and committed to our dream! The BMG books team worked closely with us to understand our aesthetic, pull together all the elements and help us create a book that we’re proud to have as part of The Zombies’ legacy. ‘The Odyssey’ was the very first book little for BMG, and if they started out this strong, I can’t wait to read what comes in the future!”

COLIN BLUNSTONE, lead singer of the British band The Zombies

BMG has been working with the Rock&Pop singer since 1997 and has been involved in numerous projects in addition to the music. The relationship with BMG has been groundbreaking for German rock and pop singer Klaus Meine and has been the basis for the international success of the German band Scorpions.

2. Muddy Waters: “Mannish Boy” – A blues classic from 1952, often covered, it is part of the timeless BMG catalogue (P)
3. Jason Aldean: “Any Old Barstool” – Country song from 2016, represents the takeover of the BBR Group (P)
4. The Rolling Stones: “Sympathy for the Devil” – Iconic song from 1968, penned by the dream team Mick Jagger and Keith Richards (P)
5. Roger Waters / Pink Floyd: “Another Brick in the Wall” – “Do we really need to say any more? OK, perhaps the year. 1979 (P)
6. Alice Martin: “No Roots” – European megahit of 2017, which is now making its rounds in the United States (P)
7. Max Giesinger: “80 Millionen” – A German pop song that shipped platinum in 2016, it also became the signature hit of the European Soccer Championships that year (P)
9. U2: “Last on You” – A megahit that started out in Europe and conquered the world in 2016. (P)
10. Bon Jovi: “One Way or Another” – What a star – and still going strong 40 years later. The song is from 1984 and has been repeatedly covered by other artists and bands. It is also very popular as a sync track for movie and TV productions. (P)

*BMG owns the publishing rights to the song. **BMG owns the recording rights to the song.

To celebrate their big anniversary, the colleagues at BMG have picked out ten unusual songs from their repertoire. Each of the songs is special in its own right and has a special relationship to BMG. The tracks are available as an exclusive playlist to listen to and watch on YouTube. A little present to let you join in the celebrations, as it were. You can find it easily by entering www.bit.ly/10bmg10 in your browser.

The following songs are in the “10 Years of BMG” playlist:

2. Muddy Waters: “Mannish Boy” – A blues classic from 1952, often covered, it is part of the timeless BMG catalogue (P)
3. Jason Aldean: “Any Old Barstool” – Country song from 2016, represents the takeover of the BBR Group (P)
4. The Rolling Stones: “Sympathy for the Devil” – Iconic song from 1968, penned by the dream team Mick Jagger and Keith Richards (P)
5. Roger Waters / Pink Floyd: “Another Brick in the Wall” – “Do we really need to say any more? OK, perhaps the year. 1979 (P)
6. Alice Martin: “No Roots” – European megahit of 2017, which is now making its rounds in the United States (P)
7. Max Giesinger: “80 Millionen” – A German pop song that shipped platinum in 2016, it also became the signature hit of the European Soccer Championships that year (P)
9. U2: “Last on You” – A megahit that started out in Europe and conquered the world in 2016. (P)
10. Bon Jovi: “One Way or Another” – What a star – and still going strong 40 years later. The song is from 1984 and has been repeatedly covered by other artists and bands. It is also very popular as a sync track for movie and TV productions. (P)
10 YEARS OF BAI

The Investment Fund With A Good Name

When it comes to business, China is a land of unlimited opportunity. Thanks to rapid
growth, even 10 years ago smart investments could lay the foundation for enormous
profits. Nothing has changed about this. Quite the opposite: in many promising
sectors, start-ups in China are developing into large, internationally competitive
companies faster than in any other region of the world – an ideal environment
for investors like Bertelsmann Asia Investments (BAI), founded in 2008. Under
Annabelle Yu Long’s leadership, BAI invests in young companies operating in
Bertelsmann’s core businesses: media, media-related businesses, education and
business services. BAI is now regarded as one of the country’s best-known and most
successful investment funds – and an attractive employer for students. Learn more
about the fund and its many partners on the following pages.

Annabelle Yu Long
Riected from left at the
Yixin Group’s stock
market launch in Hong
“One Of The Coolest Brands Ever”

In April 2008, Bertelsmann Asia Investments (BAI) made its first investment. At that time, the Bertelsmann-owned, Beijing-based investment fund had exactly one employee: its founder, Annabelle Yu Long. She still heads the fund as its Founding and Managing Partner and today is also head of the Bertelsmann Corporate Center in Beijing. In this interview, Annabelle Yu Long speaks about the 10-year success story of BAI.

Mrs. Long, how is BAI doing?

Very well indeed! Bertelsmann Asia Investments now is one of the best-known and most successful funds in the Chinese investment scene. We continue to put into practice what we set out to do 10 years ago. And we are pleased that, with such a small team, we are able to make a sizable contribution to a global media corporation like Bertelsmann. Our BAI team generates an extraordinarily high profit per capita – and we’re proud of that, of course. Every year we have the same expectation and aspiration: to be better than the year before. So far, we have always managed that – and I’m very confident that this will continue to be the case, since we invest in growth regions and growth sectors. We are surfing a very positive, sustained trend, so it’s not an unrealistic expectation.

Ten years ago, there was a kind of gold rush in the Chinese start-up scene. What is the situation like now?

The Chinese market is far from saturated. It is now an established market with large companies like Alibaba and Tencent that are increasingly coming to play an important role in the world market as well. The momentum of this market is unbroken, and I believe it will endure. The idea of a “gold rush” that ends at some point is wrong in itself and fails to recognize the enormous power that characterizes China. This country has a huge population that speaks a common language, and China is on its way to becoming the world’s strongest economic power. There is a large middle class whose consumer needs and demands continue to rise, creating a growing demand for services and lifestyle products. So, the basic conditions for further growth, new ideas and new start-ups are excellent – which means the situation is excellent for BAI as well.

Where was BAI’s focus 10 years ago? And where is it today?

BAI’s focus today is similar to what it was 10 years ago, but it has evolved. Then as now, we invest in start-ups that operate in Bertelsmann’s core businesses of media, media-related businesses and education, as well as services for enterprises. The strategy we formulated from the outset – to not only make a profit with our investments but also to learn and bring knowledge into the company – has proven itself and remains unchanged. However, BAI now has a clear focus in social networks and communities, as well as with online retailers. In networks and communities, we focus on those with content that actually leads to consumption among users. Content around which communities form, from which purchases arise – those are the opportunities we look for.

Can you give us some examples?

A good example of this is the online shopping community Mogujie, in which BAI owned a stake from the start. Mogujie started in a two-room apartment in 2011 with nine people who had previously worked for Alibaba. After it merged with the fashion shopping
platform Meilishuo two years ago, the resulting company, Meili, today is one of the market leaders in China. Another example is the online retailer Club Factory, in which BAI has owned a participation for two years. It is a Chinese company that is not active in China itself, but quite massively in India and the Middle East. Club Factory sells trend products directly from Chinese factories to consumers, and can therefore offer them much more cheaply than, say, Amazon, and with equal quality. In selecting its ranges – which products are popular in which region of the world – Club Factory relies 100 percent on automated data analysis; people aren’t even involved in this process. Club Factory’s products all come from China, since China is still the world’s factory – everything is produced here. Club Factory is also an excellent example of how the focus of BAI’s holdings has shifted: today we look for companies that can thrive not just in China but globally. Many of the Chinese founders now pursue global ambitions, and we see great potential here. Another good example of this is Bigo Live, an app that allows users to easily transmit their own live streams. Bigo is just three years old, and yet the company is already active in 60 countries, is the market leader in the automotive industry in China and developed a software platform Meilishuo two years ago.

5 How did you feel when you made BAI’s first investment 10 years ago?
I still remember exactly how that felt. My first investment was in the China Distance Education Learning (CDEL), an online education platform – and I was very cautious and nervous, because this was the first investment decision that I made relatively independently. Back then, CDEL was a big, expensive investment. We had analyzed the industry very thoroughly; CDEL was profitable and already close to IPO, so it wasn’t a cheap buy-in. Fortunately, I had a lot of support from Thomas Rabe, the Investment Committee and the other Bertelsmann colleagues at the time. We went on to make a tidy profit from the later sale of our shares. What I didn’t know then was that, compared with our later investments, it was a deal with a pretty small profit margin. Our standard today is a profit that is eight to 10 times higher than our original investment.

6 How difficult was it in the beginning to convince start-ups of BAI’s merits as an investor?
Super difficult! However, the financial crisis helped us. It began shortly after our launch, and no one wanted to make investments. At the time, there were just two of us on the team, a former McKinsey analyst I had recruited and myself. Also, at that time no one in China understood why Bertelsmann of all companies wanted to invest in start-ups. The company wasn’t known at all in the country, or only known for its book club, and we had to close the club. When I talked to start-ups back then, it took me 30 minutes to explain who Bertelsmann was and that Bertelsmann was more than just a book club. I then spent the remaining 10 minutes answering questions. ... and how difficult is it today?
Fortunately, it’s a different story today. BAI helped Bertelsmann re-establish itself as a brand in China. It now has the reputation of investing in growth regions and supporting company founders, and is also seen as an attractive employer. The top students at the best universities in the country see BAI as a top destination, as one of the coolest brands ever. BAI enjoys a similarly good reputation in China’s start-up and investment scene. Through BAI, the companies we own holdings in also get to know the other Bertelsmann divisions, such as RMG and Arvato in China, and realize: that’s a lot of impressive brands in a single family. And the Bertelsmann divisions in China also benefit from this: Arvato, for example, just landed a large order from the BAI holding Uxin this year.

7 BAI has invested in more than 100 companies over the past decade. Which of these investments do you remember most vividly?
Without a doubt, Bitauto. This company is today the largest provider of Internet content and marketing services to the automotive industry in China and developed in tandem with us. Along the way, in 2019, we jointly witnessed Bitauto’s IPO in New York and a number of spinoffs, which we also invested in and which have become market leaders in their fields. Yixin, China’s largest online provider of financial services for car buyers and owners; the used car portal Youanche; Uxin, an auction platform for used cars; and AutoDealers, a specialist in onboard media. All of these investments have given us big value increases. The example of Bitauto shows how BAI can grow along with the start-ups thanks to good relationships and a spirit of partnership.

8 Why do start-ups, which often can choose between several investors, opt for BAI?
Start-ups have a lot of options today, so the chemistry is becoming more and more important. The chemistry has to be right. Besides, after 10 years BAI has established itself as a strong brand. I always say that our investments are our best ambassadors. Company founders look at us and our consistent track record and then often choose BAI. We keep hearing that we are the kind of investor that is able to understand and penetrate major trends such as big data and artificial intelligence, and their implications. Evidence for this is probably also provided by the fact that many of our investments are market leaders in their respective areas today. We are rarely the number two, but usually the number one.

9 You are now known to millions of audiences as a judge on the founders’ show “Dragons’ Den.” Does this popularity also benefit your work at BAI?
Surprisingly, it does. I had big doubts and was skeptical because the venture capital business is a very serious business between companies, and I thought that company founders wouldn’t really appreciate such a show. In fact, the show has proven to be excellent PR for us. It’s given us a positive, cool image. By the way, among the investors on the judging panel, I have the role of the “tough” investor (laughs) – and am seen as honest and straightforward. We have received a lot of positive feedback on the values and style I convey on the show. People like the program – and my team does too, because on top of it all, this fabulous marketing is free for us. Production of the third season just began in March.

10 “Unicorns” – that is, companies with a market valuation of over $1 billion – are something of a holy grail for the investment industry. How important are unicorns for BAI?
Not every start-up can become a unicorn, but many can still make a valuable contribution to society. Having said that, of course unicorns are important to...
us. However, for a promising company, unicorn status can only be the starting point for turning a good company into a great one. Many of our holdings are well on their way, and some are in the process of developing into global companies, as I said earlier. There is tremendous potential there for Bertelsmann to take advantage of it. We need to turn such investments into even closer partnerships. How can Bertelsmann grow with these companies? How can we accompany them on their way to other countries, including Europe? We should be their partners and show them the way. That could bring benefits for both sides. Our long-term goal is to crack the jackpot. That is, to own a significant minority interest in a company, that has such an impact on society, you want to remain part of that story. In such a case, my advice would be not to sell but to keep the investment.

**The Face of Bertelsmann in China**

**Annabelle Yu Long**

After earning a bachelor’s degree from the University of Electronic Science and Technology in Chengdu, Annabelle Yu Long started working as a radio presenter at the Chengdu People’s Broadcasting Group in 1994. Two years later, she became a TV producer and main presenter for the Sichuan Broadcasting Group. In 2005, she graduated from Stanford Graduate School of Business and then worked at Fremantle and Random House through the Bertelsmann Entrepreneur Program. In 2007, she was appointed to head Bertelsmann Digital Media Investments in Beijing, which was followed by her appointment as Managing Director of the newly created BAI fund the following year. In September 2009, she was additionally entrusted with management of the Bertelsmann Corporate Center in Beijing. Since the beginning of 2012, Annabelle Yu Long has been a member of Bertelsmann’s Group Management Committee. As long as up as 2017, she was also the chief representative of the Bertelsmann Group in China. Since she joined BAI in 2007, she has been the group’s lead representative in China and has repeatedly been included in the ranking of China’s Top 10 VC investors. Since joining BAI in 2007, she has been the group’s lead representative in China and has repeatedly been included in the ranking of China’s Top 10 VC investors. Since joining BAI in 2007, she has been the group’s lead representative in China and has repeatedly been included in the ranking of China’s Top 10 VC investors.

A unicorn is to investors what a prospector is to the gold prospector. In investment jargon, a unicorn is a start-up with a market capitalization of over $1 billion—has that passed the magic billion-dollar mark. Anyone who discovers such a company at an early stage and invests in it will have hit the jackpot. A ranking by the auditors Deloitte and the investment experts China Venture in the fall of 2015 indicates that Bertelsmann Asia Investments (BAI) is a pretty good unicorn hunter. This requires a capable and experienced team. You don’t need a lot of minds – just the right ones.

Six people make up the team led by Annabelle Long, Founding and Managing Partner, BAI. Dora Yi plays a key role as Managing Director. She has been on board since the beginning of 2012. She considers her main duties to be “proactively taking the lead, communicating with colleagues intensively and encouraging discussions.”

Because of her position, Yi can best describe the structure of a typical working day at BAI. First, colleagues skim through the latest news and exchange ideas with their contacts on WeChat, the Chinese WhatsApp. A lot of time is spent dealing with potential investment objectives: “We normally meet with two to three start-ups per day. Or we write up a comprehensive, in-depth analysis of a company,” reports Yi. Lunchtime is reserved for meetings with employees of other investment firms or representatives of a sector the fund is currently focusing on. “We also spend one to two hours reviewing the status of our portfolio companies and thinking about next steps together with them,” she adds. The evenings are usually reserved for paperwork, such as the preparation of investment protocols or market research. “Basically, every day brings something new,” says Yi.

**Take-Charge Mentality**

William Zhao is another team member who appreciates this variety: “The trade and finance expert joined BAI in 2015. “Making digital investments for Bertelsmann is always exciting and keeps me motivated every day,” he says. “BAI gives me a different perspective on how differently aligned businesses work in the long run,” adds his colleague Iris Cong.

“I am the best unicorn hunter in Asia.”

Yi: “It’s a job that keeps you going day and night.” Zhao describes his colleague Iris Cong. “This expands my horizons and makes me more innovative.” She has been on board since 2016 and is responsible for consumer goods and retail, as well as the culture and entertainment segment. Especially he appreciates the workplace atmosphere: “We’re a small team with a great culture. Characterized by open discussions, cooperation and a take-charge mentality.” Zhao describes his colleagues as “reliable and intelligent.” All the team members have to be knowledgeable on a wide range of topics, socially adept, quick-witted and physically fit, explains Yi: “It’s a job that keeps you going day and night.”

What does the BAI team want for its 10th birthday? Iris Cong may have expressed it best: “We want to become the best unicorn hunter in Asia.”
Keep

With its shareholding in the Keep app, Bertelsmann Asia Investments has been active in the healthy trend since 2016: smartphone-based fitness. More than 1,000 Chinese fitness apps are available on the Apple and Google app stores. They count steps or routes taken, or give users simple instructions and illustrations, e.g. in tutorials or video clips, for how to stay physically fit in sessions lasting just a few minutes. Content-wise, they set different priorities, ranging from yoga asanas and exercises for a healthy back to cardiovascular fitness. Every target group is considered from seniors and amateur marathon runners to pregnant women and tennis players. And demand for these apps is on a constant rise. According to estimates by China’s Sootoo Research Institute in Beijing, around 40 percent of all Chinese who exercise regularly go to a fitness studio. However, for various reasons – such as traffic jams and smog in the city – nearly 30 percent prefer to stay at home and exercise with the support of an app instead. And yet, despite the great popularity of such fitness apps, this particular breed of smartphone apps has a problem: their features are very similar, which results in users no longer being able to tell them apart and quickly tiring of them. Often, they immediately download the next app, in the hope – usually illusory – of getting a better deal there. This poses great challenges for app operators, because they immediately lose interest, the app’s revenues of a US$300 million – and it has not changed: Over the years, the constantly growing company has gone through five financing rounds, and BAI has participated in every one. Until the two fashion e-commerce platforms, Mogu Street and Meilishuo, merged to form Meili in mid-2016, the Bertelsmann investment fund was the start-up’s largest institutional shareholder.

Meili's business initially consisted of giving young women in particular the opportunity to share their thoughts about fashion and beauty topics online. Later, the company took advantage of the rapidly growing e-commerce market and combined social networking functions with shopping options. Since then, users have been exchanging information via photos, videos and video streams about clothes, shoes, bags, accessories, make-up and more, and they can purchase the products directly via a variety of links. Meili Inc. primarily targets female customers, and includes several different platforms under its name, including Mogu Street and Meilishuo, among other popular shopping sites. As the leader in Chinese social commerce, Meili Inc. is experienced in integrating community, content and e-commerce. Earlier this year, Meili and its Chinese competitor JD announced the establishment of a joint venture that will pursue this model, including Mogu Street and Meilishuo, on the most popular shopping platform in China, and thus further increase the number of customers.
Ten years after the Bertelsmann Asia Investments (BAI) fund was founded, the money earned from the sale of participations exceeds the amount invested in new holdings.

When a company exits a business after several years, it’s usually a sign that the original expectations weren’t met. However, this is not the case with investment funds, where the final exit from a company is generally the objective and, if all goes well, the culmination of its work. So, the colleagues at BAI are happy about each and every one of its successful exits because each proves that they backed the right horse and that their efforts and experience helped a new company break through. BAI has arranged a number of successful exits, especially in the past two years. In 2016, the returns from the year’s exits exceeded BAI’s investments in new start-ups for the first time.

Since its establishment, Bertelsmann’s Chinese fund has supported multiple start-ups in successfully going public – four of them in 2017 alone. In more than 10 other cases, BAI holdings had been sold directly to other companies, again generating significant profits for BAI. The Bertelsmann Investments division, of which BAI is a part, generated total EBIT of €4.14 million in 2017, after €35 million in 2016, and thus made a significant contribution to Bertelsmann’s Group net income.

This didn’t happen overnight, of course, and in fact required a great deal of patience and time. Founded in January 2008 and based in Beijing, BAI was built up by Annabelle Yu Long, who still manages it today, together with Bertelsmann’s Corporate Center in Beijing. Then as now, BAI focused primarily on sectors that are of interest to Bertelsmann, such as education, media and technology, and digital business models. In April 2008, BAI made its first investment: China Distance Education Holdings (CDEL), an online learning specialist. Many other investments followed; the fund currently has more than 85 holdings. “Today, BAI is one of China’s best-known and most successful venture capital funds,” says Annabelle Yu Long.

A Tidy Profit

CDEL was also the first investment that BAI completely disposed of: in December 2001, BAI sold its stake in the now publicly listed company back to the company’s founder, Zhengdong Zhu – and for a tidy profit. Earlier, in May 2001, BAI had sold off a small portion of its shareholding in the Internet company Phoenix New Media, which operates the Internet portal ifeng.com. That was the first time it earned money on a disposal of shares. Most of the shares in the ifeng portal, which has been listed since 2011, were eventually sold on the market between August and December 2013. The example of ifeng shows how lucrative the investment business can be: within just four years, the value of BAI’s original investment had increased more than six-fold. BAI made a particularly wise move with its stake in Baidu, one of China’s market leaders for online content and online marketing in the automotive sector. In September 2009, in the midst of the global economic crisis, BAI acquired a 10 percent stake in Baidu. One year later, in November 2010, Baidu successfully carried out an IPO on the New York Stock Exchange. The Chinese car market and Baidu had proven resistant to the crisis. On November 17, 2010, Annabelle Yu Long joined the Baidu management team in the gallery of the Stock Exchange in New York City to ring the closing bell, marking the end of Baidu’s first successful day of trading. “Baidu was one of our most successful exits ever,” says Allen Li, who has worked for BAI since 2014, and has served as the fund’s Chief Financial Officer since January 2017. “In retrospect, I only wish we’d kept our shares for even longer and made even more of a profit.” Baidu gradually sold its shares in Baidu between November 2012 and December 2013. Baidu was not only a lucrative investment but also laid the foundation for further successful BAI investments. “BAI was able to build a very trusting, long-term partnership with Baidu’s founder, William Bin Li,” says Allen Li. “This partnership has enabled BAI to invest in more of his businesses – which were either direct Baidu spinoffs or start-ups financed by Li.” He notes that these companies are among the most successful spinoffs or start-ups financed by Li.

In October 2017, Annabelle Yu Long (third from right) stood with the management of Bitauto on the balcony of the New York Stock Exchange for the closing bell marking the end of Bitauto’s first successful day on the stock market.

2018 Also Began Successfully

The BAI exit train really picked up speed in 2017. Four of the fund’s holdings celebrated their IPOs. September saw the launch of the premium lifestyle platform Secoo on New York’s Nasdaq, the largest technology-sector index in the United States. This was followed by the IPO of the aforementioned online and financial services provider Yixin Group on the Hong Kong Stock Exchange in November. At the end of the year, the fintech company iClick and the digital marketing platform iClick, two other BAI holdings, had their initial public offerings on New York’s Nasdaq.

Most recently, 2018 kicked off with a very successful exit for BAI. The Bertelsmann fund sold its remaining shares in the dating app Tantan to the listed company Momo, one of China’s largest messaging providers. The initial shares had already been sold in 2017. “With this exit, we are earning 10 times what we invested,” says Allen Li. Annabelle Yu Long, Allen Li and the other five BAI team members have just experienced what CFO Li describes as the “most wonderful moment of any exit – the moment the proceeds are credited to our bank account.”
Many celebrities and prominent persons in good spirits, great food, good music, a fun atmosphere, beautiful decorations and fantastic late-summer weather — conditions could hardly have been better for the “Bertelsmann Party 2018,” hosted by Liz Mohn and Thomas Rabe on September 6 in the Bertelsmann office suite at Unter den Linden 1, Berlin. More than 800 prominent guests crossed the red carpet to be greeted in person by Ms. Mohn and Mr. Rabe.

The theme for the party was “Entrepreneurship and Creativity”: in presentations throughout the rooms and on the roof of the Berlin office suite, the Bertelsmann divisions showed where entrepreneurship and creativity can be seen in their businesses. Among the guests at the party, which was organized by the Bertelsmann Corporate Communications team led by Karin Schlautmann, were prominent politicians such as EU Commissioner for Budget and Human Resources Günther Oettinger and Federal Minister of Finance Olaf Scholz. In addition to Liz Mohn, other members of the Mohn family in attendance included Chairman of the Supervisory Board Christoph Mohn and Carsten and Thomas Coesfeld.

Naturally, many members of top management at Bertelsmann traveled to Berlin too, such as Executive Board members Markus Dohle, Anke Schäferkordt, Bernd Hirsch and Immanuel Hermreck. Guests from the music, film and television industries included musicians Peter Maffay and Tom Gaebel, the bands Culcha Candela and Feuerherz, German pop legend Heino, and actors Hardy Krüger Jr., Rufus Beck, Sophia Thomalla and Mariella Ahrens. Among the familiar faces from successful TV shows of Mediengruppe RTL Deutschland were Judith Williams, Dagmar Wöhrl and Frank Thelen, Timur Bartels, Tim Oliver Schultz, Ivo Koßlany and Hans Sarpei.
Bertelsmann And Saham Plan To Create Leading CRM Group

The partners plan to combine their respective worldwide CRM businesses, to each hold 50 percent of the new company.

- Bertelsmann and Saham have announced to enter into a long-term partnership and plan to combine their worldwide Customer Relationship Management (CRM) businesses. The new company would employ around 48,000 people in 25 countries and generate revenues of approximately €1.2 billion. Thomas Rabe, Chairman & CEO of Bertelsmann, “We are opening a new chapter for the Arvato CRM businesses. The new company would hold leading market positions in Europe, Africa and the Middle East, as well as a strong presence in the Americas and Asia. It plans to invest several hundred million euros in regional expansion as well as in IT, robotics and automation, and thus in the future of the CRM businesses. The new company will generate high cash flows and reinvest them.

- And what does this step mean for the customers? The new company will be able to even better serve its customers, based on a broader regional footprint and investments in technology.

- What does the solution look like specifically? Bertelsmann and Saham, respectively, bring businesses, expertise and markets that complement each other. Over the next years, several hundred million euros will be invested in regional expansion as well as in IT, robotics and automation, and thus in the future of the CRM businesses. The new company will generate high cash flows and reinvest them.

- Mr. Rabe, what does the agreement with the Saham Group mean for Bertelsmann and for the Arvato CRM businesses? Thomas Rabe: We open a new chapter in the development of our CRM businesses. In a long-term partnership with the Saham Group, we are forming a global CRM group. The company will have 48,000 employees, revenues of 1.2 billion and attractive growth prospects. It will have operations in 25 countries and hold leading positions in Europe, Africa and the Middle East, as well as a strong presence in the Americas and Asia. Both partners are contributing businesses, expertise and markets that complement each other. Over the next years, several hundred million euros will be invested in regional expansion as well as in IT, robotics and automation, and thus in the future of the CRM businesses. The new company will generate high cash flows and reinvest them.

- Why was Saham chosen as the partner? Because it is the best solution for the strategic development of the CRM businesses. Saham is an ideal partner for us, and together Bertelsmann and Saham contribute complementary businesses and experiences. As mentioned earlier, this isn’t the case just for the two companies’ markets. It is also true for Saham’s experience in the offshore business. And it also applies for the global customer network that Bertelsmann brings to the new company.

- Bertelsmann and Saham have, of course, worked closely together for a long time already. Saham has been an offshore minority shareholder and a valued strategic partner of Arvato CRM France since 2004. The CRM businesses in France and Africa, which are now part of the agreement, are among Arvato’s most successful. Now we are expanding this collaboration. And Saham could well become our key to the growth markets of the African continent and the Middle East in the long term.

- When do you expect the transaction to be completed? We are confident about finalizing the establishment of the new CRM company by the end of this year. The new company is scheduled to officially launch at the beginning of 2019.

- Does this conclude the review of strategic options for the further development of the CRM businesses? Yes. At the beginning of the year, we announced that we would review strategic options for our CRM businesses. These options included the partial or full sale of the CRM businesses as well as the involvement of one or more partners. Now the decision has been made for a partnership with Saham.
Bertelsmann Expands Growth Area Of Education

The complete takeover of the U.S. online learning platform OnCourse Learning is one of the largest acquisitions in the United States in the history of Bertelsmann.

Bertelsmann has further expanded its strategic growth area of education. In September, the Group acquired 100 percent of the U.S. online learning platform OnCourse Learning from the private equity firm GIP Capital for a euro sum in the mid-six digits. The deal further strengthens the presence of Bertelsmann in the United States. It is one of the largest transactions ever carried out by Bertelsmann in the U.S. market, following the purchase of publishing group Random House in 1998, the takeover of online learning platform Relias in 2014, and the acquisition of a 75-percent stake in Penguin Random House in 2013. The acquisition of OnCourse Learning is subject to the approval of the U.S. antitrust authorities and is expected to be completed this fall.

OnCourse Learning was founded in 2007 in Brookfield, Wisconsin. The company has approximately 375 employees and offers digital training and continuing education for customers in the fields of health care and financial services. It also provides a smaller curriculum for customers from the real estate sector. Approximately 750,000 learners and 19,000 B2B customers use the content of OnCourse Learning each year. The company has an online library of roughly 22,000 courses.

Important strategic step

“The acquisition of OnCourse Learning is an important strategic step for Bertelsmann in several respects,” said Bertelsmann CEO Thomas Rabe in his announcement of the takeover. “We’re adding a company with considerable growth potential to our education business and strengthening our presence in the United States, where we already generate more than 20 percent of our sales revenue. That’s expected to grow to about 30 percent in the future.”

Once the transaction is completed, the health care section of OnCourse Learning will be integrated into the Bertelsmann subsidiary Relias, which operates in the same field. The merger gives rise to one of the leading providers of online training in the health care sector. In recent years, Bertelsmann has strengthened Relias several times through acquisitions, including the field of analytics. Business is also expanding significantly organic growth under CEO Jim Trandiflou.

“At Bertelsmann Education Group, we’re focusing on vocational education and training in selected fields,” said Kay Krafft, CEO of Bertelsmann Education Group. “So OnCourse Learning fits in with our strategy exceptionally well. The health care division gives a major boost to the activities of our subsidiary Relias. And the financial services division adds another rapidly growing segment. There, for instance, regular training courses in compliance are mandated by law. We’re delighted to welcome the company and its employees to the Bertelsmann Education Group.”

Already market leader

“Relias is continuously extending its activities in the field of acute care,” adds Jim Trandiflou, CEO of Relias. “Through OnCourse, we gain about 500 more hospitals as customers, and we can offer their staff first-class continuing education, in part through the website nurse.com. In the field of post-acute care, or care for the elderly in particular, Relias is already the market leader. So we’re now the only provider that offers data-based solutions across all health-care segments to improve clinical outcomes in measurable ways.”

The OnCourse training content for the fields of financial services and real estate will be managed as a separate business unit. In the United States alone, the market for continuing education in the fields of health care and financial services together have a volume of 3.6 billion U.S. dollars. In both sectors, digital educational content offers customers an inexpensive and efficient way to train employees.

Since 2016, Bertelsmann has been conducting all of its business in the education field under the umbrella of the Bertelsmann Education Group. In addition to Relias, which is fully owned by Bertelsmann, the company also owns shares in the continuing education platform Udacity, among other investments. In the first half of 2018, sales revenue at the Bertelsmann Education Group grew by more than 20 percent. The activities of the group are focused in the United States, and Bertelsmann is also expanding its educational business in the strategic growth regions of China, India and Brazil.

MAGAZINE

RELIAS

OnCourse Learning

Bertelsmann

MAGAZINE

Successful Finish

The first phase of the Udacity Data Science Scholarship Program — the continuing education initiative of Google, Bertelsmann and Udacity — was completed in September. The object of the program was to analyze large quantities of data, and with a total of 15,000 participants worldwide, large quantities of data were produced by the course as well. Following three months of immersion in the methods of statistical analysis, including ways of visualizing data and assessing the usefulness of that data, 36 percent of the participants successfully completed the “Challenge Course” of the program — one-fifth of them Bertelsmann employees from around the world. By way of comparison, an average of 25 percent of participants typically complete the scholarship programs of the Udacity online university, which counts the Bertelsmann Education Group among its strategic investors. The best 1,500 students who completed the program — among them 361 Bertelsmann employees — continued their study with one of the three nanodegree programs offered by Udacity. Data Foundation, Business Analyst or Data Analyst

Social Initiatives

Bertelsmann Companies in India promote reading, writing and creativity

Thirty-five percent of the world’s illiterate persons live in India. This finding from a UNESCO report published in late 2017 illustrates how important literacy programs are for the country of over one billion people. On International Literacy Day, Bertelsmann companies in India therefore took part in both internal and external initiatives to spread enthusiasm for reading, writing and other creative skills. A variety of initiatives were taken up by all the Bertelsmann units present in the country, including the Corporate Center in New Delhi, Bertelsmann India Investments, Arvato India, Penguin Random House India, DK India, Fremantle India and Yoboho New Media India. Some of these activities took place within the companies involved and others were carried out in cooperation with social institutions. The initiator of this volunteer effort was the “CR Circle” of Bertelsmann India, a network of corporate responsibility officers from the various divisions of the company

First phase of the Udacity Data Science Scholarship Program

361 Bertelsmann employees...
BERTELSMANN AGAIN EARNED HALF A BILLION EUROS IN PROFITS IN THE FIRST SIX MONTHS OF THE YEAR

Good Figures

- Positive trends in its digital and growth businesses made the first six months of 2018 a success for Bertelsmann. As a result of numerous strategic gains, the company further improved its growth profile and once again recorded earnings of more than half a billion euros. The rate of organic sales growth increased to 2.4 percent (first six months of 2017: 1.4 percent). In total, the growth businesses registered an increase in organic sales of about 9.2 percent for a volume of 2.9 billion euros (first six months of 2017: 2.7 billion euros). They are now generating approximately one-third of the total sales volume. Results were especially good for the digital activities of RTL Group, Fremantle, Arvato and the Bertelsmann Education Group. Despite large negative exchange-rate effects — especially with respect to the U.S. dollar — reported sales grew by 13 percent to 8.2 billion euros (first six months of 2017: 7.1 billion euros), the highest value in eleven years. Bertelsmann generates about 20 percent of its sales revenue in the United States. Operating EBITDA was 1.07 billion euros (first six months of 2017: 1.10 billion euros), once again reaching the high level of the previous year before accounting for exchange-rate effects.

- Earnings grew by over 20 percent at services subsidiary Arvato, where each of the four Solutions Groups exceeded their earnings in the prior-year period. Gains were also reported at RTL Group, BMG and the Bertelsmann Education Group. Digital operations and new businesses experienced start-up losses. "In the first six months of 2018, organic growth at Bertelsmann was stronger than it’s been in years," said Bertelsmann CEO Thomas Rabe. "It’s increasingly clear that the expansion of our growth businesses is bearing fruit. The investments made in recent years in our service businesses are paying ever greater returns, an especially welcome development. We intend to improve the growth profile of the company even more. To that end, we’re making huge investments in our businesses, especially in creative content. In order not to jeopardize these expenditures, a modernization of the regulatory framework is urgently needed for creative companies in Europe. That concerns links like data protection, copyright, antitrust law, advertising law, media law and taxation," Thomas Rabe stressed that in the first six months of the current year, Bertelsmann has made significant progress in its four strategic priorities: strengthening the core businesses, digital transformation, building on the growth platforms and expanding in growth regions.

- Bertelsmann has published "Becoming," the long-awaited memoirs of Michelle Obama, Penguin Random House will also publish the next book by former U.S. President Barack Obama. In March 2017, the largest book-publishing group in the world secured worldwide rights to that work as well. Earnings grew by over 20 percent at services subsidiary Arvato, where each of the four Solutions Groups exceeded their earnings in the prior-year period. Gains were also reported at RTL Group, BMG and the Bertelsmann Education Group. Digital operations and new businesses experienced start-up losses. "In the first six months of 2018, organic growth at Bertelsmann was stronger than it’s been in years," said Bertelsmann CEO Thomas Rabe. "It’s increasingly clear that the expansion of our growth businesses is bearing fruit. The investments made in recent years in our service businesses are paying ever greater returns, an especially welcome development. We intend to improve the growth profile of the company even more. To that end, we’re making huge investments in our businesses, especially in creative content. In order not to jeopardize these expenditures, a modernization of the regulatory framework is urgently needed for creative companies in Europe. That concerns links like data protection, copyright, antitrust law, advertising law, media law and taxation." Thomas Rabe stressed that in the first six months of the current year, Bertelsmann has made significant progress in its four strategic priorities: strengthening the core businesses, digital transformation, building on the growth platforms and expanding in growth regions.

- More renewable energies, fewer greenhouse gas emissions and more sustainably produced paper: those are the key takeaways of the Bertelsmann carbon footprint report published at the end of August. Based on data drawn from across the entire Group, the report details what natural resources are used by the company’s divisions and how key environmental indicators have changed in the reporting year 2017. The report also addresses the progress made by Bertelsmann in achieving Group-wide environmental targets for paper and greenhouse gas emissions. Last year, Bertelsmann reduced total CO2 emissions by eight percent, or approximately 40,000 metric tons, compared with the previous year. The significant decrease in CO2 emissions is primarily attributable to the shift in power procurement to certified “green” electricity or to suppliers generating power with a high proportion of renewable energies. With regard to the environmental target, Bertelsmann has been able to reduce its carbon footprint by a total of twelve percent since 2014.

- Fewer Greenhouse Gas Emissions

    - More renewable energies, fewer greenhouse gas emissions and more sustainably produced paper: those are the key takeaways of the Bertelsmann carbon footprint report published at the end of August. Based on data drawn from across the entire Group, the report details what natural resources are used by the company’s divisions and how key environmental indicators have changed in the reporting year 2017. The report also addresses the progress made by Bertelsmann in achieving Group-wide environmental targets for paper and greenhouse gas emissions. Last year, Bertelsmann reduced total CO2 emissions by eight percent, or approximately 40,000 metric tons, compared with the previous year. The significant decrease in CO2 emissions is primarily attributable to the shift in power procurement to certified “green” electricity or to suppliers generating power with a high proportion of renewable energies. With regard to the environmental target, Bertelsmann has been able to reduce its carbon footprint by a total of twelve percent since 2014.

- BERTELSMANN HAS PUBLISHED THE REPORT CARBON FOOTPRINT 2017

- Fewer Greenhouse Gas Emissions

    - More renewable energies, fewer greenhouse gas emissions and more sustainably produced paper: those are the key takeaways of the Bertelsmann carbon footprint report published at the end of August. Based on data drawn from across the entire Group, the report details what natural resources are used by the company’s divisions and how key environmental indicators have changed in the reporting year 2017. The report also addresses the progress made by Bertelsmann in achieving Group-wide environmental targets for paper and greenhouse gas emissions. Last year, Bertelsmann reduced total CO2 emissions by eight percent, or approximately 40,000 metric tons, compared with the previous year. The significant decrease in CO2 emissions is primarily attributable to the shift in power procurement to certified “green” electricity or to suppliers generating power with a high proportion of renewable energies. With regard to the environmental target, Bertelsmann has been able to reduce its carbon footprint by a total of twelve percent since 2014.

- NEW BERTELSMANN PODCAST DETAILS DISADVANTAGES FACED BY EU COMPANIES WHEN COMPETING WITH U.S. TECH PLATFORMS

    - A study conducted by the trend-research firm Enders Analysis on behalf of Bertelsmann has underscored the great importance of the creative industry for the economic strength of Europe and at the same time has highlighted the challenges posed by U.S. tech platforms like Facebook, Google, Apple and Amazon.

- Fair Competition

    - A study conducted by the trend-research firm Enders Analysis on behalf of Bertelsmann has underscored the great importance of the creative industry for the economic strength of Europe and at the same time has highlighted the challenges posed by U.S. tech platforms like Facebook, Google, Apple and Amazon.

- NEW BERTELSMANN PODCAST DETAILS DISADVANTAGES FACED BY EU COMPANIES WHEN COMPETING WITH U.S. TECH PLATFORMS

    - A study conducted by the trend-research firm Enders Analysis on behalf of Bertelsmann has underscored the great importance of the creative industry for the economic strength of Europe and at the same time has highlighted the challenges posed by U.S. tech platforms like Facebook, Google, Apple and Amazon.

- Fewer Greenhouse Gas Emissions

    - More renewable energies, fewer greenhouse gas emissions and more sustainably produced paper: those are the key takeaways of the Bertelsmann carbon footprint report published at the end of August. Based on data drawn from across the entire Group, the report details what natural resources are used by the company’s divisions and how key environmental indicators have changed in the reporting year 2017. The report also addresses the progress made by Bertelsmann in achieving Group-wide environmental targets for paper and greenhouse gas emissions. Last year, Bertelsmann reduced total CO2 emissions by eight percent, or approximately 40,000 metric tons, compared with the previous year. The significant decrease in CO2 emissions is primarily attributable to the shift in power procurement to certified “green” electricity or to suppliers generating power with a high proportion of renewable energies. With regard to the environmental target, Bertelsmann has been able to reduce its carbon footprint by a total of twelve percent since 2014.

- Fair Competition

    - A study conducted by the trend-research firm Enders Analysis on behalf of Bertelsmann has underscored the great importance of the creative industry for the economic strength of Europe and at the same time has highlighted the challenges posed by U.S. tech platforms like Facebook, Google, Apple and Amazon.

- NEW BERTELSMANN PODCAST DETAILS DISADVANTAGES FACED BY EU COMPANIES WHEN COMPETING WITH U.S. TECH PLATFORMS

    - A study conducted by the trend-research firm Enders Analysis on behalf of Bertelsmann has underscored the great importance of the creative industry for the economic strength of Europe and at the same time has highlighted the challenges posed by U.S. tech platforms like Facebook, Google, Apple and Amazon.

- Fewer Greenhouse Gas Emissions

    - More renewable energies, fewer greenhouse gas emissions and more sustainably produced paper: those are the key takeaways of the Bertelsmann carbon footprint report published at the end of August. Based on data drawn from across the entire Group, the report details what natural resources are used by the company’s divisions and how key environmental indicators have changed in the reporting year 2017. The report also addresses the progress made by Bertelsmann in achieving Group-wide environmental targets for paper and greenhouse gas emissions. Last year, Bertelsmann reduced total CO2 emissions by eight percent, or approximately 40,000 metric tons, compared with the previous year. The significant decrease in CO2 emissions is primarily attributable to the shift in power procurement to certified “green” electricity or to suppliers generating power with a high proportion of renewable energies. With regard to the environmental target, Bertelsmann has been able to reduce its carbon footprint by a total of twelve percent since 2014.

- Fair Competition

    - A study conducted by the trend-research firm Enders Analysis on behalf of Bertelsmann has underscored the great importance of the creative industry for the economic strength of Europe and at the same time has highlighted the challenges posed by U.S. tech platforms like Facebook, Google, Apple and Amazon.

- NEW BERTELSMANN PODCAST DETAILS DISADVANTAGES FACED BY EU COMPANIES WHEN COMPETING WITH U.S. TECH PLATFORMS

    - A study conducted by the trend-research firm Enders Analysis on behalf of Bertelsmann has underscored the great importance of the creative industry for the economic strength of Europe and at the same time has highlighted the challenges posed by U.S. tech platforms like Facebook, Google, Apple and Amazon.

- Fair Competition

    - A study conducted by the trend-research firm Enders Analysis on behalf of Bertelsmann has underscored the great importance of the creative industry for the economic strength of Europe and at the same time has highlighted the challenges posed by U.S. tech platforms like Facebook, Google, Apple and Amazon.

- NEW BERTELSMANN PODCAST DETAILS DISADVANTAGES FACED BY EU COMPANIES WHEN COMPETING WITH U.S. TECH PLATFORMS

    - A study conducted by the trend-research firm Enders Analysis on behalf of Bertelsmann has underscored the great importance of the creative industry for the economic strength of Europe and at the same time has highlighted the challenges posed by U.S. tech platforms like Facebook, Google, Apple and Amazon.
MAJOR SENATE RECEPTION WITH PROMINENT SPEAKERS FOR 70TH ANNIVERSARY OF "STERN"

Worthy Celebration

In late August, on the occasion of the 70th anniversary of the founding of G+J magazine "Stern," First Mayor of Hamburg Peter Tschentscher welcomed guests to a Senate reception at the Hamburg City Hall. The speakers of the evening were former German Foreign Minister Sigmar Gabriel, G+J CEO Julia Jäkel, Peter Tschentscher and "Stern" Editor-in-Chief Christian Krug. "Paper of record," "tabor of love," and "journalistic guide and companion of democracy" — the speakers found many names to describe "Stern," which has been a companion, inspiration and motivation to public discourse for 70 years.

BMG PUBLISHES A COLLECTION OF BLUES SONGS COMPILED BY THE ROLLING STONES

Formative Sounds

Simon Cowell gets a star on the "Walk of Fame"

Personal Star

Simon Cowell, the English TV judge and producer (music, TV and film) has received his personal star on the "Walk of Fame" in Hollywood, the famous sidewalk in Los Angeles. Fremantle, his creative partner of many years, congratulated him on this honor. Cowell is a jury member in the talent shows "The X Factor" and "America's Got Talent." He intends to stay on for a while as a juror and producer on "America's Got Talent," a show he himself created: NBC broadcast network, producer Fremantle and Cowell recently agreed on terms to continue their collaboration.

The Rolling Stones are one of the most successful and enduring rock bands of music history. But they have always viewed their group as a blues band too. Just how much the Stones love the blues, a genre they have relied upon repeatedly during their more than 55-year career, can now be seen in a collection of blues songs compiled by the members of the band. These are songs the Stones believe played a crucial role in forming their own sound, or songs the band covered themselves in the recording studio. The Stones worked with BMG and Universal when compiling the titles of blues greats like Chuck Berry, B. B. King, Howlin' Wolf, John Lee Hooker, Elmore James and Muddy Waters — and Bertelsmann music label BMG will be the one bringing "Confessin' The Blues" onto the market in November.

INSIDE BERTELSMANN / OCTOBER 2018

74
At A Clip

BENET news clips for your smartphone

New:
the BENET Clips app
for Android and iOS.

Download
the app and win
a Samsung S9
or iPhone XR!

Simply search Google Play or
the App Store for “BENET Clips” –
or scan the QR codes