Global Business@Bertelsmann

Eight stories about internationally successful businesses and entrepreneurs at Bertelsmann

What’s Your Story?
Volume 6
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Thomas Rabe
Chairman and Chief Executive Officer
of Bertelsmann
BERTELSMANN IS BECOMING MORE AND MORE INTERNATIONAL. The Group’s revenues outside Europe have risen by more than 50 percent since 2011. In 2017, they accounted for 27 percent of total revenues, compared with 20 percent in 2011. We have significantly expanded our footprint in the U.S. in particular, the world’s largest and most innovative market for media, services and education. We are also gradually developing new growth regions in China, India and Latin America.

Bertelsmann is international in two ways: On the one hand, we have operations in more than 50 countries. On the other, we have built businesses that, after achieving success in their original market, have become successful worldwide. Formats like the big television talent shows “Idols” and “Got Talent,” and global bestsellers by the likes of Dan Brown and E L James are probably the best-known examples of this.

But there are many other global success stories at Bertelsmann. This new book, the sixth volume in our “What’s Your Story?” series, presents eight of them. It takes you on a journey through the Bertelsmann world, which is shaped everywhere by the entrepreneurial execution of creative ideas. This is demonstrated not only by the stories in this book, but also by those in earlier volumes of the series, on Digitalization, Education, Partners, Creativity and Innovation. You are welcome to order them on BENET or read them there directly.

I wish you an enjoyable and informative read!

Thomas Rabe
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Sarah Doole, Director of Global Drama at Fremantle Media
“Deutschland 83” Was The Turning Point

Five years ago, Sarah Doole joined Fremantle Media as Director of Global Drama. Her remit: to build and expand the fictional TV series business. Numerous takeovers and cooperation agreements followed, along with globally successful series such as “The Young Pope” and “American Gods.”

→ IN SARAH DOOLE’S OFFICE at Fremantle Media’s London headquarters there is just one wall on which pictures can be hung. The rest of the room is encased in glass. 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 successful drama series produced by Fremantle Media. They convey, 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 Media’s catalog. They accounted for only about 6 percent of total revenues at the time, and Fremantle Media wanted
this figure to increase significantly in the medium term. It has already come a good deal closer to this important goal. In the year ahead, the revenue share contributed by internationally marketable series is expected to exceed 20 percent.

Five years ago, Fremantle Media was the “world champion of entertainment,” says Doole. While the company was extremely successful with show formats such as “Idols” and “Got Talent,” its catalog included few major, internationally aired, TV-scripted series. So, says Doole, she essentially had to begin by building an entirely new business in various countries – except Germany. Because not only is the production process entirely different for TV series, their business model is also different from that of talent shows. “Those shows are produced for the here and now. They are highly localized, and they generate revenues and profit almost immediately,” explains the series expert. By contrast, the business model of today’s top drama series is based on creating long-term “library.” Ideally, they will entertain and inspire viewers worldwide for decades – and accordingly generate revenues and profits for a long time. “We expect our top series to produce revenues for anywhere between five and 20 years,” explains Doole. Some of the series she acquired for ITV 25 years ago are still being watched today.

The fact that fictional series are now a strategic priority for Fremantle Media is due in part to the advance of major streaming platforms such as Netflix and Amazon Prime. Thanks to them, the market for high-end series is now much larger, and viewers can access these series anytime, and anywhere in the world. In the U.S. alone, the number of new series more than doubled between 2010 and 2017, from 216 to 487. In the same period, the number of original series commissioned by online platforms grew from just four to 117. And for this year, the industry is expecting a total of 520 new series – just in the U.S. “Viewers are no longer bound to individual channels, but instead proactively seek out series that interest them,” says Doole. Viewers’ expectations of fictional TV series have also increased significantly. “Series today are windows on the world that show unique, special and fantastic places – and we open these windows for the audience.”

However, before the production of new series could even be considered, the capacities for this needed to be created. Only in Germany did Fremantle Media have a strong producer of series at the time: UFA. In Great Britain and
the rest of Europe, there were 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 Media created a global network that now comprises 11 production sites for fictional series.

Development in Britain and the U.S. took a slightly different path. In Fremantle Media’s native UK, the production company had hired Kate Harwood, who previously was renowned as BBC’s “Queen of Drama,” in 2014. She proceeded to expand the production company Euston Films and the British series production business. And in the United States, Dante Di Loreto took over as President of Scripted Entertainment at Fremantle Media North America in May 2017. Di Loreto is also a veteran of the series business, a contributing originator of successes like “Glee” and “American Horror Story.” “We wanted to build directly on the success of Fremantle’s ‘American Gods’ series – an incredibly ambitious project – and Dante is now in the process of reorganizing and expanding our production work in North America,” says Doole.

Collaboration with best-selling author

Di Loreto has already recruited a number of well-known screenwriters and series experts for Fremantle Media North America, she says, and the initial results of this work will be visible in a few months’ time. One of the new U.S. projects, announced in May, is the collaboration with the best-selling author Paolo Coelho, which was born from an idea by Penguin Random House and Random House Films in New York. Fremantle Media will produce a thriller series based on two of Coelho’s books. “The series is something completely new: a combination of characters from Coelho’s books, with events from his life,” says Sarah Doole.

In addition to these acquisitions in various countries, Fremantle Media also bought minority stakes in a number of newly founded series producers, such as Dancing Ledge, Corona TV and Duck Soup in the UK, in a bid to secure first access to these companies’ creative talent and creative output.

According to Doole, this talent is at the heart of the production business: “We rely on the best talent,” she says, “the people who can tell great stories – because great stories always sell, all over the world.” Thanks to its branches around the world, Fremantle Media can now tell its stories everywhere, which gives us a huge competitive edge. To capitalize on this advantage, the company brought together all the producers from its various subsidiaries in one room in London for the first time in Fremantle Media’s history. “It was an amazing event,” recalls Doole, “and the beginning of a worldwide collabora-
International format for success:
“Deutschland 83” opened the door for Fremantle Media to market more European series internationally.
This group now meets about four to five times a year, and in many cases new series are developed across national borders.

When scouting talent, the series expert focuses not only on producers but also and above all on screenwriters. “For series, it’s the same as in the Bible: ‘In the beginning was the word,’” says Doole with a smile. She says she looks for people “for whom ‘good enough’ just isn’t good enough.” Especially in the early days, the talent had to be laboriously convinced to work with Fremantle Media, recalls the manager. “Nowadays, after successes like ‘The Young Pope,’ ‘Deutschland 83’ and ‘American Gods,’ this is no longer an issue – they actually approach us and want to work with us.” Even Oscar-winning cinema directors who would never have dreamed of making TV series in the past are now embracing the opportunity to tell complex stories over several hours for TV and reach a worldwide audience. In 2015, for instance, Fremantle Media's Italian production subsidiary Wildside was able to attract the star director Paolo Sorrentino for its internationally successful series “The Young Pope.”

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. were world champions 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 Doole, who spent 20 years selling British and other series to territories around the world.

“The turning point for Fremantle Media came in 2014 with ‘Deutschland 83,’” says Doole, and 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 Media subsidiary produced for RTL Television, on to Doole. “Fortunately, 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.

“We rely on the best talent”
Sarah Doole
The excited Fremantle Media manager was determined to sell the series internationally, and presented it to America’s Sundance Channel in New York. At first they were dismissive; a German series with subtitles on U.S. television? Completely unthinkable, unheard of, never been done before. Doole then had UFA shoot 10 raw clips with individual key scenes, invited the Sundance manager to London and screened the clips for him at the theater of the British Film Institute, which is located just opposite Fremantle Media headquarters. “He was thrilled. Sundance even came on board as a co-producer, and scored excellent ratings with the series,” says 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 celebrated bestseller, as another example. The Fremantle Media subsidiary Wildside filmed 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 first time in its history it is participating in a non-English-language series. “Four years ago no one would have thought this possible; now everyone’s used to it,” says Doole.

This development very much suits the purposes of the European producer Fremantle Media. “Today, about half of the series we offer worldwide are not originally in the English language, but in Danish, Italian, German, French or Spanish.” These series are also shown on Netflix and Amazon, with which Fremantle Media has signed major contracts. “This shows that when you tell new stories, they open doors to new customers,” says Doole. She is convinced that this development will continue. “The genie is out of the bottle.” For the current culturally aware 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 Doole.

Fremantle Media has plenty of ideas for good stories worth telling. “At the moment, we have about 250 ideas for series in the pipeline worldwide, of which we want to realize at least 35 and for which we are currently seeking funding,” says Doole. When financing such projects, there’s still no getting around the U.S., the largest TV market in the world. “Hiring the best actors and the best talents is expensive; you need a financially strong, well-heeled U.S. partner,” says Doole. Which is why Fremantle Media offers many of the ideas
With “The Young Pope,” produced in Italy, Fremantle Media won over millions of viewers.
Fremantle Media turned the Australian classic “Picnic at Hanging Rock” (images above and to the right) into a worldwide TV series. Below: Fremantle Media North America worked with renowned best-selling author Neil Gaiman on “American Gods.”
it developed in Europe to the major U.S. networks for realization. “In doing so, we of course select the ideas that we believe have the best chances internationally; and the timing has to be right,” says the expert. She works tirelessly on getting her own producers to think even more ambitiously, even more internationally. For example, she recruited an American-Canadian director for the production of the series “Picnic at Hanging Rock,” based on an Australian classic. “And that’s how we turned an Australian series into a series that works worldwide,” says Doole.

The screen adaptation of Joan Lindsay’s mystery novel has already been sold to numerous countries, including Amazon Prime in the U.S., Canal+ in France, the BBC in the UK, and Deutsche Telekom’s Entertain TV in Germany. The series expert sees “Picnic at Hanging Rock,” a poster of which of course has pride of place on her “Wall of Fame,” as an excellent example of Fremantle Media’s aspiration to produce quality, not quantity, with its TV series. “It's not always easy, but it's always worth it,” says Doole.
Full of anticipation at the “Avatar” book program: Scott Shannon (front row, second from the left) and his core project team at Penguin Random House.
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 U.S. division, whose team led the negotiations for the “Avatar” deal on behalf of
Penguin Random House worldwide. “We’re all looking forward to an exciting journey.”

“Avatar” tells the story of ex-marine Jake Sully, who travels to the alien moon of Pandora with a human expeditionary force in order to exploit the world’s rich supply of valuable natural resources. To infiltrate the culture of the Na’vi, Pandora’s indigenous species, he transports his consciousness into an artificial Na’vi body, an avatar. After experiencing the deep Na’vi bond with nature, and falling in love with the Na’vi huntress Neytiri, Jake switches sides and eventually leads the Na’vi to victory over the human invaders.

With gross box-office receipts of close to $2.8 billion, “Avatar” remains the highest-grossing theatrical release in motion-picture history, also dominating the industry awards in 2010, scoring three Oscars, two Golden Globes, two British Academy Film Awards, and many more prizes and nominations. The movie’s groundbreaking special effects and innovative 3D filming technology were developed by James Cameron’s production company, Lightstorm Entertainment, over seven years, and the resulting visual splendor ensured the lasting impact of “Avatar” in Hollywood and beyond. “It was such a memorably great film. I was one of millions who were blown away by the visuals on the screen,” recalls Shannon.

We still don’t know exactly what new stories await the audience, and the plot of “Avatar 2” is the subject of widespread speculation. James Cameron described the story as a “family saga about the battle with human invaders” with “completely new worlds, habitats and cultures” to be explored across Pandora. Cameron also made it clear that the sequels will not have standalone storylines but will all be part of one and the same interconnected story.

But even five movies aren’t enough for the boundless creativity of the Pandoran universe. Cameron has been an avid reader since childhood and has said in interviews that science-fiction and fantasy books have made him the storyteller he is. “Mr. Cameron and the Lightstorm team have so many stories they want to tell, and they wanted another outlet beyond his films to tell them,” says Shannon. “That’s why books are so important to him. He was looking for a partner who was going to support him to create the kind of books he enjoyed as a reader. He felt we were perfect for that.”

The first exploratory talks about a publishing collaboration began before the first movie was released in 2009. “Back then, they felt the moment wasn’t
yet ripe for a large-scale book program,” says Shannon. In 2014, 20th Century Fox and Lightstorm Entertainment once again put out feelers. “They wanted a consistent, worldwide book program with individual territories having enough flexibility to create products for their individual markets.”

Penguin Random House is the world’s largest trade-publishing group, uniting some 250 independent publishers from 20 countries under one roof. But in its New York City offices, they weren’t sure what to expect. “Would there be enough new content to develop a publishing program?” the team wondered. A 2015 visit to the Lightstorm offices in California changed that. “They led us into a room half the size of a football field. Storyboards, sketches and drafts for the new movies were all over the walls,” recalls Shannon. “Jim explained to the team in detail his plans for the movies and the other stories he had in mind. We were blown away by the vision, the wealth of ideas and the narrative depth.”

The spark had been lit. However, the magnitude of the partnership went beyond the scope of previous projects. 20th Century Fox and Lightstorm Entertainment wanted a “one-stop-shop” model, with Penguin Random House handling book formats worldwide. The negotiations were complex, taking two years in total. 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.

Program to be launched in the spring of 2019

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 public unveiling of the entire book program tying in to the new “Avatar” movies is scheduled for spring 2019.

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 other titles from this early phase are already in the works.

These narratives are about the new characters from the sequels, and they will play an important role in the early publications. “We will have a wide
“In the end, we were blown away by the vision and the wealth of ideas”

Scott Shannon
In terms of revenue, the film “Avatar” is the most successful movie of all time. Related movies will follow — accompanied by books published by Penguin Random House.
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-reader titles to nonfiction.

Shannon says that Penguin Random House is still finalizing all of the specific publishers involved, but he indicates that the English-speaking market will be very important. 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 Cornerstone as their partner in the UK. Books targeting younger readers will be published by Penguin Random House Children’s in the UK, 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 has the potential to become the biggest market for the “Avatar” franchise, ahead of even the United States. To coordinate the worldwide planning, author recruitment and licensing, Shannon’s centralized team works closely with the responsible teams in the individual markets. Dozens of employees are currently working on developing “Avatar” projects worldwide.

“Avatar” is poised to become its own entertainment universe, in which the movies form fixed stars. They are orbited not only by books, but also by graphic novels, toys, video games, apparel and much more. They will join the many “Avatar”-inspired attractions that already give different perspectives on Cameron’s rich mythology. At Walt Disney World in Orlando, Florida, for example, visitors young and old can immerse themselves and experience adventures at Pandora – The World of „Avatar.” The artists of the world-famous “Cirque du Soleil” also pay spectacular tribute to Cameron’s story with their stage show “Toruk – The First Flight.” If Cameron’s ambitious plan is realized, “Avatar” may reach cultural heights comparable to “Star Wars,” the most commercially successful on- and off-screen Hollywood franchise of the past 40 years.

“We publish the ‘Star Wars’ novels, and they fill an important role for the franchise, filling in story gaps between the feature films and television programming,” says Shannon. “It would be great to achieve this with ‘Avatar’ as well.”
In his opinion, “Avatar” has that potential. The world created by 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 toward 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 them 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.”
Carlo Szelinsky (left) and Jonas Thiemann, founders of Applike
From Hamburg To The World: The High-Flyers From G+J

At the beginning of 2015, Jonas Thiemann and Carlo Szelinsky launched Applike. The company, an in-house start-up at Gruner + Jahr, operates apps that recommend other apps to end users, and markets its detailed knowledge of the latter. With its internationally oriented business model, the Hamburg-based company is now not only highly profitable, but is the global leader in its market segment.

→ A LOT OF YOUNG PEOPLE DREAM of starting a business, being successful and continuing to expand the business until the company becomes a market leader. For Jonas Thiemann and Carlo Szelinsky, this dream came true, albeit only on the second try. After their own independent start-up quickly failed in 2014, they tried again shortly afterward, entrepreneurial spirit unbroken – this time as “intrapreneurs” under the umbrella of the Gruner + Jahr publishing house, owned by Bertelsmann. After an intense lead period, the big day arrived at the beginning of 2016; the in-house start-up Applike finally commenced operations. The Hamburg-based online company describes itself as an app recommendation platform. The two company founders believed from the start that their business model would work in the field of mobile marketing. What has
surprised them—and Gruner + Jahr—is how well it actually works and how strongly and rapidly Applike has grown. Wholly owned G+J subsidiary is now highly profitable and is the world market leader in its segment.

Anyone visiting the company’s headquarters in Hamburg’s fashionable Schanzenviertel district—about three kilometers from G+J’s Baumwall center—is quickly immersed in a world far removed from the cool sobriety of conventional office buildings. The district’s lively, narrow cobblestone streets are teeming with small, colorfully decorated shops, numerous snack bars and restaurants serving food from all over the world, and an equally cosmopolitan populace: residents, coffee-shop owners, creative professionals and software developers. It is an environment that was not selected by chance, as the two Applike founders and today’s managing directors confirm. This bustling atmosphere of the neighborhood continues in Applike’s spacious loft-style offices that occupy a whole floor of the building. A large common area in the center is equipped with all kinds of home-friendly accessories—from a swing attached to the ceiling, table soccer, a wooden compartment with a curtain for undisturbed PlayStation gaming, to comfortable armchairs and large tables for shared meal breaks. Photos of staff members grace the walls. Applike currently employs some 50 people; they work in shared offices and not one of them is over the age of 39.

“Sometimes it still amazes us to see how strongly our business has in fact developed,” says CEO Thiemann. “There were several 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. And in the online world, no less, which offers such great opportunities for entrepreneurs, but which is also subject to more rapid change and competitive pressure than any other sector. Especially for a small company that is not located in Silicon Valley in the U.S., Silicon Wadi in Israel, or its Chinese counterpart Zhongguancun—but in Hamburg, Germany. There are several significant reasons why the two have been able to establish a market presence in 27 countries, gain 20 million users, and achieve four-digit growth rates and high returns. But to a considerable extent, it is due to their infectious enthusiasm

“It amazes us how strongly our business has developed”

Jonas Thiemann
and unwavering determination to lead their company to success. Together with immense expertise in operational, financial and technological details, a healthy dose of impatience, and plenty of optimism, these are the ideal prerequisites to not only build but also to keep growing a global business.

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. Thousands are newly available every day, making it challenging to find really interesting or relevant apps. New apps in particular can find it hard to stand their ground in the market against the big, established players. “We give smartphone users a practical way to find apps that meet their requirements and preferences – using our own apps,” says Carlo Szelinsky, explaining the principle. Applike offers a range of apps like Fitplay, Coinpop or Play Buddy, which 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 research 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; these can of course change over time.

**A customized list of interesting apps**

But what is the business model behind it? How does Applike earn money? “App publishers have a great interest in their apps being downloaded – and a correspondingly high willingness to pay for this,” explains Thiemann. “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 at their disposal 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. Applike’s own apps are also offered for download on websites that, for example, are booked through a number of advertising networks. The more reach Applike can build for its own apps in this way, the more attractive the business becomes for its clients, the app publishers.
Top: The neighbors welcome Applike to the office in Hamburg’s Schanzenviertel district. Image and page to the right: Applike employees feel right at home in the loft-style offices.

“We don’t use anything we haven’t developed ourselves”

Carlo Szelinsky
“Before founding Applike we considered which technology-driven business would work well internationally and would fit in with Gruner + Jahr,” says Thiemann. “Advertising revenues have always made up nearly half of the publishing business. Today, however, the advertising business is much more digital, international and data-driven. User data – and the user’s consent to use it – is among the most valuable assets you can have today. So we looked for a business model that is attractive for both users and advertisers – and came up with a kind of rewards system for the smartphone world.” Because, on the one hand, smartphone users receive customized lists full of exciting apps. “And on the other, 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.”

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.” For one, Szelinsky notes, there was and still is no corresponding third-party software anyway. And for another, the self- and therefore custom-made technologies enable the kind of constant evolution that is crucial for always staying one step ahead of the global competition. “There are well over a hundred similar offers worldwide,” says Thiemann. “But the technical depth and accuracy of our user analyses, and the speed of the app, are unmatched to date – which means we can attract more and more partners and users. This is also reflected in the growth of the business.” And it requires hardware that can handle this growth. The Applike founders report that no fewer than a hundred servers are available in the Amazon cloud, which have to process several hundred million requests per hour.

And so, the number of Applike users is on a steady rise – more than 50,000 new users every day, according to the company. Applike was initially represented in Germany, followed shortly afterward by Austria and Switzerland; then it entered the Dutch, British and French markets. “We realized that

“Applike is constantly working on its own evolution”

Jonas Thiemann
we can quickly achieve a relevant size in other major markets as well,” says Thiemann. 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. alone, the world’s largest market. “Right from the start, we planned for a quick international rollout for Applike. This costs comparatively little because the business is very scalable, that means that we can grow without great additional costs. Besides, we currently manage everything here from Hamburg, so we don’t have to open or operate any other branch offices,” says Thiemann. Instead, more and more employees from other countries are coming to Applike. “Our colleagues come not only from Germany, but also from some 10 other countries, such as South Korea, Canada, Ukraine, Azerbaijan, China, Croatia and Turkey,” he lists. “Because many of them still speak no or very little German, we’ve been holding all our meetings in English for some time now,” adds Szelinsky. “Nevertheless, of course, the first German-language course is on the house.” The two Managing Directors believe that this diversity contributes to developing solutions adapted to the different regions – but another reason is that highly qualified technology specialists aren’t easy to find, even in the greater Hamburg area.

**A special level of appreciation plays a major role**

Tech experience and creativity are the most important factors that characterize Applike employees. “We’re a ‘brain company’ in which very complex processes have to be managed, for which we keep needing really good ideas,” confirms Szelinsky. So, the company gives its employees a lot of freedom, supports them with some amenities such as a membership for the fitness studio in the basement of the office building and meal subsidies, as well as many opportunities for advanced training and attending workshops, trade fairs and hackathons. Above all, however, Applike attaches great importance to its employees being highly motivated, which is expressed, among other things, in five defined core values that guide work within the company and interaction with each another, and in the quarterly feedback sessions for employees.

“This special level of appreciation plays a major role in attracting new employees,” emphasizes Thiemann.

It is precisely these highly qualified, motivated and creative employees who, from the Applike founders’ point of view, make the crucial difference to other similar companies on the world market. “We focus on the constant evolution of our own technology and business solutions,” explains Szelinsky. For example, only two of the approximately 50 colleagues handle app support; that is, work on ensuring that and how the Applike apps work. All the others
Just two examples of apps offered in different environments that also look different and even have different names, so as to attract as many potential new users as possible.
are constantly optimizing things as part of the Backend, Data Science or Performance Marketing teams, or are designing and developing new processes. “We currently use around 5,000 different ads, different advertising motifs to publicize our app – and that’s per country, so multiply all that by 27,” says Thiemann, illustrating the complexity of the business. “That means monitoring exactly which motif is currently live in which country with which advertising partner, how it appeals to the users of the site, how this causes them to try out the app and how this finally affects the returns – and then adapting the processes to the insights gained.”

So, the Applike experts 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 tech 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.”

Sights set on China and India

“Applike is constantly working on its own evolution,” affirms Jonas Thiemann. “Otherwise we would fall behind at some point. And that could happen very quickly in our business field. The art lies in staying efficient, flexible and innovative enough – and in finding new business approaches.” Of course, Applike is also 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 a hundred 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.
Marian Wolf, Director, Global Writer Services, Artists & Repertoire at BMG (left), and Thomas Scherer, Executive Vice President Frontline Publishing, U.S. & Global Writer Services at BMG.
IF YOU LIVE OR GREW UP IN ASIA, or just have a good knowledge of the global music scene, the name Kris Wu will definitely mean something to you. Wu, a former member of the boy band Exo, is a pop star in Asia, especially in China and South Korea – like an Asian Justin Bieber. Most remarkable about Kris Wu is that his success is based on the collaboration, and even on the convergence, of different world cultures. At least musically, this intelligent 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 an 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 pre-
cise 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 songwrit-
er workshop, and let them work with
Kris Wu. The results were impressive.” The creatives spent 10 days together,
conceptualizing and setting aside music and lyrics for one song after another,
itil 10 tracks remained that all the participants, and of course the Chinese
star, were happy with.

“Five of them were finally released, three on an EP, also in the U.S.,” says
Marian Wolf, describing the unusual procedure. What happened next was
even more extraordinary: one of these songs, “Juice,” not only quickly entered
the charts, but even made it to Number One in the U.S. iTunes rankings. “It
was the first time that a Chinese artist had ever had such a success in the U.S. –
and BMG was just as delighted as he was,” Wolf recalls proudly. Of course, the
songs also went on to become hits in China. And the success story continued:
Among other things, Wu then appeared on TV shows, which further raised his
own visibility and that of his music in the U.S. he also released another song
from the BMG Soundlab – “Deserve,” which he recorded with his U.S. rapper
colleague Travis Scott – and landed another hit.

“The big idea behind this is to perfectly tailor songs to the artist and to
use the collective creativity of our songwriters from all over the world,” says
Scherer, describing the work of BMG Global Writer Services, the unit he and
Marian Wolf founded in 2011. Since then, BMG composers and authors have
 gained a great deal of experience in jointly developing new music for artists in
Soundlabs commissioned by record companies and music managers. All the
partners meet for intensive discussions and determine together which music
best fits the labels’ and artists’ ideas – and the tastes of fans from different
countries. There may already be an unreleased track, a melody or lyrics in

“The results were impressive”

Thomas Scherer
BMG’s extensive repertoire that could be used for a new song. Otherwise, the songwriters start from scratch writing new music.

Often, the Soundlab leads to several tracks being created at the same time – for example, for an album. Or a new song is to be based on a hit released earlier, to build on its success. “There are many approaches to how we develop new songs,” Scherer continues. In any case, a BMG Soundlab offers the perfect environment. “Artists and songwriters meet for several days and create a kind of laboratory atmosphere, where you can experiment with a lot of projects,” says Scherer. Clients include Rihanna and Beyoncé, as well as Kris Wu, for whom new ideas are currently being developed. For the BMG manager, the top priority is always a close and trusting relationship between the clients – record companies, producers and artists – and the BMG experts. This is the only way to ensure that creativity flourishes unimpeded.

**A close-knit, international network**

Nowadays, BMG is going a step further and doesn’t just wait for record companies or music managers to contact them. “Of course we also actively approach them when we feel we have a possible hit for one of their stars,” says Scherer, explaining this tried-and-tested approach – which has already brought Shakira a series of hits. For example, the songs “Broken Record,” “Spotlight,” and “Medicine,” written by BMG songwriters Busbee and Hillary Lindsey, were brokered by BMG Global Writer Services, following the hit “Empire,” which was co-written by British BMG songwriter Steve Mac and Ina Wroldsen, and then made it onto Shakira’s new album. “There have been scores of similar projects,” Scherer continues, “and over time, a close and international network, and global team spirit, has developed among BMG managers and songwriters,” he says. “We’ve achieved something truly special, perhaps even unique, in the music industry.”

On this basis, the next step in BMG Global Writer Services’ development is now being pursued. “Our global community of around 1,200 BMG songwriters around the world has made a decisive contribution to our success,” says Wolf, summing up the second approach. “But we believe that we can ideally complement their creativity with another factor – data – to create even better results. To this end, 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
“We can ideally complement their creativity with another factor: data”

Marian Wolf

In China and South Korea, Kris Wu was known from his days with boy band Exo, and later as a solo artist and actor. With the help of BMG’s songwriters, he has also made it to number one on the U.S. iTunes hit list.

BMG songwriter Jason “Poo Bear” Boyd is one of the most well-known and successful representatives of his craft. His projects include the international hit “Despacito.”
can be used to scan songwriters already signed with BMG and their financial successes, and filter them according to selected criteria. Wolf adds that it is also possible to measure the performance of songs and deals based on such factors as sales figures.

“This 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 and enhance the creative processes and to 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 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 to 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 artists’ 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.

**Interested in long-term career**

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. BMG continues the evolution of its innovative business model with both the Soundlabs and the “DAT:1VE” tools. “We treat artists fairly and transparently by respecting their limited time and available budget,” says Scherer. “And we’re interested in their long-term career, not in one-hit wonders. Many artists have already recognized this.”

In China, for example, BMG has increasingly relied on hip-hop music in recent months. Thanks to such stars as Kris Wu, the BMG experts believe that the genre is ready to grow beyond its niche. Furthermore, last year BMG en-
tered into a cooperation agreement with one of China’s largest mobile social networks, with almost 90 million users. The agreement represents a kind of international showcase project for social media stars from China, and involved inviting artists ranked as top performers by users to Los Angeles, to work with some of BMG’s globally successful songwriters in a BMG Soundlab, and to generate visual content at the same time. BMG is also working closely with some of China’s most successful artists and music TV formats to carry out similar projects. For the international music business, Latin music is on the agenda – here, too, BMG has a number of songwriters on its roster who may already have the next global hit in their drawer, as has already proven the case with the song “Despacito,” which was co-written by BMG songwriter Poo Bear.

**Exchange between BMG offices**

“It was definitely worth spending so much time and effort on the development and intensive global rollout of Soundlab and DAT:1VE,” concludes Scherer. “We’ve achieved the desired effect.” This is expressed, among other things, in their increased collaboration with other Bertelsmann divisions. For example, Soundlabs focused on music, movie and television production are to be held with colleagues from Fremantle Media. Thomas Scherer and Marian Wolf are particularly pleased that the exchange between the 14 BMG offices in 12 countries has become much more intensive as a result of the two programs. “Quite a few BMG managers have told me that they always dreamed of such open and lively communications and such global team spirit,” smiles Scherer. “For us, this has become a reality.”
Sebastian Kespohl, Country Manager, Afterpay Germany, Arvato Financial Solutions
STORMBERG IS A COMPANY that prioritizes responsible conduct. The supplier of sports and outdoor clothing from Norway has been named the country’s most sustainable brand three times. Besides environmentally friendly production, Stormberg 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. “That’s why we didn’t want a service provider that is only interested in making money out of buyers with bad payment histories.” When Stormberg was looking for a partner to handle payment processes in 2012, Arvato Financial Solutions benefited from this mindset. The international financial services provider was able to offer

→ 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 Kristiansand-based company a product that meets precisely this requirement. Like Stormberg, more and more companies in Europe are relying on 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 brands in the Arvato Financial Solutions portfolio.

Technically speaking, Afterpay is a solution for handling payment processes. When an online retailer uses Afterpay and integrates it into their web shop, it allows their customers to select “pay after delivery” from various payment methods during the order process. What may sound trivial at first is extremely relevant for the online shopping experience. On the one hand, this payment method is popular with consumers because they don’t have to pay for the ordered goods until after delivery – usually after two weeks at the latest. But on the other hand, many online retailers were and still are skeptical about letting customers pay after delivery because they fear payment defaults and the associated risks for their own business. Pay after delivery is a question of trust, which is more difficult to establish in e-commerce than with personal contact at a bricks-and-mortar branch. Afterpay bridges the gap between customers’ wishes and companies’ concerns, as well as making pay after delivery more attractive for both sides than ever before. The solution helps retailers improve their customer loyalty, brand management and data analysis, prevent fraud, and increase sales. Consumers benefit from greater consumer protection and shopping convenience, as well as better prevention of financial bottlenecks. In sum, Afterpay offers considerably more than other payment service providers that cover pay after delivery.

Arvato Financial Solutions had been cooperating with Afterpay since 2012 to gain experience with the solution. A firm conviction that Afterpay would enrich its own offering prompted Arvato to buy the company in January 2014. Following the acquisition of the Scandinavian financial services provider Gothia in spring 2013, the takeover of Afterpay was Arvato Financial Solutions’ second major acquisition in less than a year. By this time, Afterpay 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

“We will gradually increase international availability”  
Sebastian Kespohl
speedskating. At the end of 2015, Afterpay’s international footprint began to take shape when 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 a total of nine European countries. Arvato is currently working on its launch in the Polish market. “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.

Paying after delivery in high demand

This optimism stems mainly from two reasons: the framework conditions and the product itself. On the one hand, 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, such as cash on delivery, direct debit, instant bank transfer, debit card, credit card or specialized payment service. Pay after delivery is very popular; in Germany, 40 percent of consumers prefer this method of payment, and it is widespread in Afterpay’s other markets as well. “Pay after delivery is particularly popular in the high-turnover fashion sector,” explains Kespohl. “For example, customers can have pants, shirts or sweaters in various sizes delivered to their homes so that they can try them on at their leisure and find the right item. You send back all the other items and only pay for those you keep.” Considering the above-average return rate of around 50 percent in the fashion trade, the demand for this method of payment makes a lot of sense. For retailers, “pay after delivery” pays off in two ways. They give their customers more options, and sell more: the “conversion rate,” or ratio of purchases made on a website in relation to number of visitors to the web shop, increases by an average of 20 percent when retailers offer pay after delivery.

The product is the second reason for Afterpay’s success in the highly competitive payment services market. 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. The solution also takes consumers’ wishes into account. Studies show that customers not only want to choose what they buy, but also how they pay for it. It is important to them to keep an overview of things and coordinate their payment methods
A watch as a wallet: In Scandinavia, Afterpay is implementing pilot projects for contactless payment using wireless technology.

“With Afterpay, bottlenecks can be bridged more easily”
Sebastian Kespohl
with their needs. Afterpay grants shoppers the greatest possible flexibility for settling their accounts. Payment can be made in the traditional way, within 14 days, or by means of an individual installment plan. This can be staggered according to the buyer’s wishes, extended to several weeks, and even suspended if necessary. Uniform installments or partial repayments of varying amounts are also possible, as is switching from fixed to flexible models at a later date. Collection proceedings are only initiated if, despite the numerous options, a buyer does not settle the outstanding invoice. Afterpay stresses that this rarely happens. Many years of experience in risk management and the instruments developed on this basis – both by Afterpay and Arvato Financial Solutions – help to prevent fraud, but also to support defaulting debtors.

The MyAfterpay portal gives customers a clear overview of all their orders, invoices, returns and outstanding payments. This simplifies the checkout process and eliminates the need for many contacts with customer service, especially since the portal avoids complicated financial jargon. “Our solution empowers the customer to retain control and flexibility over the order and lets them pay when and how they want,” explains Sebastian Kespohl. “If a family has just bought a new car, and then the washing machine suddenly breaks down, money can quickly become tight. With Afterpay, such bottlenecks can be bridged more easily. We make it possible to buy a new washing machine anyway, because they don’t have to pay for it until later,” says Kespohl, adding that the customer satisfaction associated with this has a positive effect on the retailer’s image.

The customer stays in control

The look of the invoice itself 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 behalf of the retailer, which doesn’t incur any extra costs for us,” explains Kespohl. The online customer portal also prominently features the respective retailer’s branding. The entire payment process should serve to increase a brand’s reach, because “retaining customers is cheaper than winning new ones,” says Kespohl, highlighting the advantage of this approach. In any case, contact with consumers is one of the traits that sets Afterpay apart from the competition. “With other payment service providers, the retailer gives up control of the customer relationship along with the payment processing. This is not the case with us. Instead, we keep creating points of contact with the consumer,” says Kespohl.
To target customers as precisely as possible, Afterpay provides retailers with vast quantities of the digital age’s most important raw material: data on shoppers’ behavior. This includes detailed information about the products they pay for when and by which means of payment. 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. Or, if the volume of returns is high, the shop-happiest customers can be identified by looking at net sales. The evaluation can also lead to certain buyers no longer being offered certain payment methods if they have failed to pay using this method in the past. And the retailer can use findings to improve their website features or the order process. Integration with Google Analytics allows for a direct integration of the data into marketing and sales analyses.

One Achilles heel of online shopping is the security risks faced by both consumers and businesses. Fraudsters try to obtain passwords and account information, use fake online shops to cheat customers out of their money, or cheat retailers with stolen identities by ordering in someone else’s name and not paying. Afterpay promises users the greatest possible degree of security when shopping online. The payment principle alone offers both sides protection. Consumers only pay for the goods after they receive the order, and retailers are safe since Afterpay settles the invoice directly. For access to the customer portal, Afterpay relies on electronic proof of identity and has integrated the leading authentication IDs in the target markets. In Sweden, for example, this is BankID, which is based on the account number and can be used like an identification document or driving license. Seven million people in the Scandinavian country already use this form of identification. Taken as a whole, Afterpay features boost consumers’ confidence in online retailers. This is crucial, especially for new vendors just starting up their business.

Payment after delivery gives consumers greater convenience without having to sacrifice security. Unlike using a credit card, direct debit or bank transfer, shoppers do not have to enter their bank details or use a TAN generator during the order process. All they need is their personal data, such as name and address, which they provide anyway when shopping online. This is particularly helpful because most online purchases are now made on smartphones or tablets. If you place an order on the bus, at the train station or in...
a taxi, you rarely have all the account data at hand, or enough time to deal intensively with a web shop’s various payment options. Afterpay’s service can be transacted entirely via mobile devices and thus corresponds to consumers’ contemporary purchasing and payment methods.

“AFTERpay empowers retailers to retain control of their customer relationships and even expand them,” says Kespohl. “They can make the payment process even more attractive for customers and give them enormous flexibility in paying the bill. At the same time, the shop operators receive information about buyers’ usage behavior during the payment process, which allows them to address their target groups even more effectively.” Afterpay can be integrated into a web shop’s purchase process either directly or via a “payment service provider” (PSP). Payment service providers bundle all payment processes for a company, including the technical connection and implementation of all security measures. Masterpayment and Computop are two of the largest providers in this field that collaborate with Afterpay. Afterpay mainly finds its way into web shops through such partnerships. The collaboration is attractive for the payment service providers because they can offer retailers an innovative method of payment after delivery. Afterpay, in turn, benefits from the massive spread of PSPs on the Internet and uses them as a kind of gateway. Access to high-reach, high-turnover online retailers is particularly important for Afterpay’s business model, as the Arvato brand earns a share of every transaction processed via its service. Collaboration with payment service providers is also interesting for Afterpay because their sales agencies usually have widespread networks in the e-commerce sector.

**Combining Afterpay with digital payment methods**

Continuously increasing its reach is one of Afterpay’s most important goals for its business development in the near future. At present, the focus is on consolidating and expanding its position in existing markets, while expanding the offer to other countries in continental Europe. The team gives at least equal priority to the continued evolution of its product. Combining Afterpay with digital payment methods plays an especially important role here. In Scandinavia, for example, where cashless payment has long been commonplace, colleagues are testing the Fast Track solution. It is based on near-field communication (NFC) technology and permits smaller, contactless transactions in environments such as stadiums, amusement parks and ski resorts using Afterpay. Consumers can just wave an NFC wristband in front of the appropriate sensor to pay for a coffee or a hot dog in seconds. The solution increases consumer security as well as offering practical advantages, such as preventing long queues at beverage dispensers.
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 32 percent more money on average when they pay for their purchases without cash. The information generated by digital transactions is no less valuable, as it provides even more precise information about consumers’ purchasing history and preferences. Afterpay also equips retailers for subscription models involving a monthly usage fee that are increasingly replacing traditional product purchases in e-commerce – such as streaming platforms, software or the rental of electrical appliances. 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 2.8 million to 10 million euros in just four years would not have been possible.”
Dirk Kemmerer,
CEO of Mohn Media
and Digital Marketing
of the Bertelsmann
Printing Group
Eight years ago, the print and media services provider Mohn Media rebuilt its advertising 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, the three are very unlikely 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 so? 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 in Bertelsmann’s hometown, and delivered from there to more than 15 countries across Europe. Three 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 – notwithstanding the increasing digitalization in how society receives information. “This form of advertising works extremely well for a sales-oriented industry such as retail, which accounts for 90 percent of our brochure volume,” explains Dirk Kemmerer, CEO of Mohn Media and Digital Marketing of the Bertelsmann Printing Group. “Despite trends such as mobile couponing, the absolute number of print flyers has increased in recent years.”

He says there are a variety of reasons for this, and although brochures are well received by many end users internationally, Germans are the absolute front-runners when it comes to utilization of brochure advertising. “First of all, the retail trade here is highly fragmented. The average distance to the nearest supermarket is less than half a mile,” says Kemmerer describing the situation in Germany. Retailers have to set themselves apart from each other, “and one of the ways they do that, when it comes to, say, bread and butter, is through the price. The product portfolio, in particular certain brands or special offers, also plays an important role.” In addition, there was a paradigm shift in the industry about 10 years ago, especially in Germany, which had an enormous impact on printing, Kemmerer adds. After brochures had long been used only in-store to advertise the products at the local branches, the idea came up of stimulating customer demand much earlier – at home, at the breakfast table. “On Saturday morning, before the weekend shopping, flyers are still the most effective medium,” notes Kemmerer.

And so, 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.
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-gram newsprint,” says Kemmerer, describing the current order. It contains the special offers of a given month – from dog toys and cat snacks to bird food and cage litter for small pets.

### 320,000 copies per hour

Around 14.5 million of these brochures are produced at Mohn Media each month, and shipped from there throughout 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. Each month, 250 tons of paper are used for the production of the Fressnapf brochures alone, which corresponds to about 12 truckloads. Once all the print data is available, the production of Fressnapf brochures is quickly accomplished. 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 320,000 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 well in advance 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 defray 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 clients 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
Top: 14.5 million of these kinds of brochures are produced by Mohn Media each month and shipped from there to multiple European countries. Left: Mohn Media’s company headquarters in Gütersloh
contacts from different countries every day and encounter many different cultural backgrounds.”

Despite increasing digitalization, he is positive about the future of the brochure business. The relaunch eight years ago has caused the business to rapidly grow to a respectable size in the Mohn Media business, and it is now on a stable footing. “However, moderate growth is still possible going forward,” says Kemmerer. His long-term plan is to develop sales in two directions. The business with existing clients is to be expanded. “One option, for example, would be to increase the publication 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 twelve to 24 or 36 pages.

“Of course, we can continue to grow by developing the business in new countries,” says Kemmerer, summing up the opportunities in the business with existing clients. The second way forward is to acquire new clients for Mohn Media’s brochure business; the goal is to win one or two per year. In any case, Dirk Kemmerer is confident that “even five years from now, the print brochure product line will still be one of the mainstays of Mohn Media’s business.”
Kate Ling,
China General Manager at Relias
Aging With Dignity – With Relias

The U.S. online education provider Relias has significantly grown its e-learning healthcare sector offering outside the United States. Following its start-ups in Great Britain and Germany, it opened an office in China last year. And because of China’s aging society, the comparatively small team led by China General Manager Kate Ling faces great challenges, which also are great business and societal opportunities.

→FOUR-TWO-ONE← in China, these three numbers are shorthand for an ever-increasing problem in the country: four grandparents, two parents, one child. As a result of China’s one-child policy – introduced in 1979 and only officially ended in 2015 – Chinese society has aged markedly. And there are relatively few young people to look after the seniors. However, this is a familiar problem in many Western countries as well, so the demand for qualified nursing staff is constantly increasing, not only in China.

To make advanced and mandatory training and coaching possible in the busy workaday routine of nursing facilities and hospitals, the U.S. online education provider Relias offers an extensive range of products around
e-learning – and no longer only in the U.S., as was the case when Bertelsmann acquired it four years ago. Since then, Relias has seen strong increase in its employees and revenues – and with its entry into new markets in Europe and Asia, Relias businesses now reach almost all the way around the globe. After all, healthcare affects people everywhere on Earth. And because of the steadily growing market, increasing regulatory requirements and high staff turnover in the healthcare sector, the demand for e-learning on this topic is high all over the world.

After initially setting course for Europe in 2016, and opening two new offices in Great Britain and Germany, last year China, the world's most populous country, came into focus. With a population of approximately 1.4 billion, the current expansion of services for people requiring care, and the associated changes in the Chinese health sector, the smallest and newest line of business for Relias holds great potential.

“We are still at the very beginning in China, and development is slow, but steady,” explains Kate Ling. As China General Manager, she is responsible for Relias China’s operations, and with her team of nine, she is bringing the e-learning provider’s expertise from the United States to Asia. The American has worked in China for nine years, so she knows the country well. Yet the challenges facing the Chinese health system are new for her, too. “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. “By 2030, there will be more people over the age of 60 in China than the entire population of the United States.” 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.”

Her team is well prepared for these challenges. Three of her Chinese colleagues are registered nurses, and another four have a healthcare background. But with regard to employees, it is not solely their expertise that is crucial to a successful launch on international soil. “In Great Britain, as well as Germany and China, our teams are composed of a balanced proportion of local employees and expatriates, that means internationally active specialists,” explains
Relias CFO Björn Bauer. “The expats are of great importance because they can help transfer the company's processes and culture and are better 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.

Bauer knows what he’s talking about. After eight years at the Corporate Center in Gütersloh, where he was responsible for controlling, investments, strategy and projects for RTL Group, Penguin Random House, Gruner + Jahr, and BMG, in 2015, he moved to the United States as Head of Mergers and Acquisitions at Relias. In September 2015, he was appointed CFO, and is now responsible for the Accounting, Finance, Legal and IT departments, as well as Relias’ international business for Relias in Germany.

The “Bertelsmann Effect” helped

Whether in the United Kingdom, Germany or China, he recalls that the initial phase of opening up new markets was similar in all three countries. And the “Bertelsmann effect,” as Bauer describes it, helped enormously. “In all three countries, we benefited greatly from Bertelsmann’s existing local organizational structures and business relationships. In London and Berlin, for example, we initially moved in with our colleagues at BMG. And our first customer in the UK was referred to us by Arvato.”

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, which is not only active in the insurance and asset management sector but also in the healthcare sector. “It was a race to the finish line, but we provided a localized version of our Relias Learning Management System and content to them within 60 days,” says Ling with some pride. Since then, the team has gained three new customers and now offers more than 200 online courses for the Chinese market. “Since senior care is such a new industry for China, we also provide consulting around staff training and development for our clients,” says Ling, adding that the feedback is all positive. “Our customers particularly like the fact that our content is very practical and evidence-based.”

Although the content of the courses is similar, there are 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
Relias online courses are geared towards the habits of Chinese users.

“China is such a big country that it counts for three”
Björn Bauer
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. content, 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.

Sometimes, however, their team also came across special cultural singularities on the part of the clients. “People in China are so eager for knowledge and learning that at one point we had to confirm that our reporting was functioning properly. We had participants who were studying more than 20 hours a week,” says Ling with a smile. “Certificates are also very popular in China. When we walk around our clients’ offices, we see that workers proudly display their course-completion documents in their cubicles.” Björn Bauer explains that other foreign markets also show how much of an impact a country’s culture has on the design of online courses and thus also on dealing with the respective clients. “In the U.S., for example, it’s common for employees to publicly share their test results with others. In Germany, on the other hand, participants prefer to keep their results to themselves, and the content is more objectively formulated than in the U.S.”

**Similar challenges in establishing a business**

Regardless of the mindset and culture of the people living in each country, the challenges in establishing a business for Relias are similar everywhere, says Bauer, which is why the offices in the UK, Germany and China regularly exchange information with each other and with Relias headquarters in the U.S. “Once a month, there’s a call with all the site managers. And when a team wins a new customer, they share this news with the whole team worldwide via e-mail,” says Bauer. Ling adds, “Although we’re a very long plane flight away from everyone, that doesn’t stop us from sharing ideas online and asking for suggestions daily. Every member of my team has a ‘pen pal’ from headquarters in Cary with whom they regularly exchange e-mails with.” There is also regular contact with sister companies in the Bertelsmann Education Group. “For example, we are currently in touch with Udacity regarding the launch of their nanodegree in China,” says Ling.

When and where Relias will enter new territory after the United Kingdom, Germany, and China still remains to be seen. “China is such a big country that it counts for three for now,” laughs Bauer. However, the CFO is certain that the company will open up further countries. “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. “We want Relias to be synonymous with the highest quality of care. So, our goals are to establish Relias as a recognized brand in China in the field of senior care, to grow our client base and to enter the acute-care market”, says Ling, summing up her plans for the next five years. The Relias mission has always been and will be to improve the lives of the most vulnerable members of society and those who care for them, and she says, “that is also true for China: halfway around the world from where we started.”
Ashwin Damera (left) and Chaitanya Kalipatnapu, founders and CEOs of Eruditus
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 an Ivy League-standard education – and increasingly, it is doing so internationally.

→THE IVY LEAGUE was originally the name of a league in U.S. university sports. But since the eight Ivy League universities – Brown, Columbia, Cornell, Dartmouth, Harvard, Princeton, Pennsylvania and Yale – are among the most prestigious in America and even the world, the term has come to stand for a first-class university education that often leads to a well-paying job. Another factor that probably contributes to the Ivy League’s elite reputation is the fact that fewer than 10 percent of their applicants get accepted. The business concept of the Indian education provider Eruditus, which was founded in 2010, and in which Bertelsmann has held a stake through its Bertelsmann India Investments (BII) fund since April 2017, is to change this and to offer a
bit of the renowned Ivy League quality worldwide to people who already have a successful career.

Eruditus founders and Directors Ashwin Damera and Chaitanya Kalipatnapu are themselves alumni of Harvard University and INSEAD, one of the world’s most respected business schools. “This high-quality education has had a profound impact on our professional lives,” says Ashwin 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 of program at a top U.S. university – either because 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 – all with the aim of supporting participants in their next step up the career ladder. 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 9,500 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 partners with the universities to offer the various courses, most of which bear the names of the respective institution. The offer currently comprises 38 programs in the fields of Management, Digital Business, Design Thinking, Innovation, Data Science, Banking & Fintech, and Entrepreneurship. Most of them are offered online, but some are classroom courses. For these, Eruditus has 212 employees in India, the U.S., the United Arab Emirates and Singapore. “But this is just the beginning of our journey,” says Damera. “Within the next 12 months, we plan to substantially increase the number of students in particular.”

But how did an Indian start-up manage to win over a whole raft of prestigious institutions such as Harvard, INSEAD and Columbia as partners and persuade them to lend their renowned names to Eruditus programs? “It was

“This is just the beginning of our journey”

Ashwin Damera
extremely important that we were able to bring INSEAD on board right at the start,” emphasizes Damera. However, he says the universities were generally very open to the idea. “They quickly understood our vision: to cascade the lifelong professional benefits of being exposed to world-class education.” An important argument for the partner universities was certainly that many of the potential Eruditus students come from regions where they are not represented locally. After these universities realized that the collaboration with Eruditus actually helped them gain more students from such regions, they recommended it to other Ivy League institutions, adds Damera.

Experts estimate that about 10 percent of the $7 trillion a year spent on education around the world is on continuing professional training. And in 2017, some 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. According to a study by Google and KPMG, due to the country’s very young population and rapidly growing Internet usage, revenues in this area are expected to increase eightfold within the next five years. “The future of education in India clearly lies in online education,” says Damera. And this is not only true for India, he adds. There is a high demand for continuing professional training worldwide, both from employees and from companies in new fields such as data science and digital transformation.

**Collaboration with American universities**

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. An Eruditus program costs $25,000 to $45,000, while the costs for Emeritus range from $1,200 for a certificate course to as much as $12,000 for a postgraduate diploma course. However, the promise of offering courses of Ivy League quality to managers and specialists applies equally to both areas of Eruditus.

With its two pillars, Eruditus and Emeritus, the Indian education company basically combines the business models of two Bertelsmann Education
Participants in an Eruditus course

“Online programs have a larger potential audience”

Ashwin Damera
Group companies under one roof. While the Eruditus business model of collaborating with universities is similar to that of the U.S. education provider Hotchalk, the Emeritus model of shorter, certified online courses tailored to the needs of the working world is comparable to the successful business model of the online university Udacity. Generally speaking, Eruditus is aimed more at managers with several years of experience, while Emeritus primarily focuses on younger managers at the start of their careers, as well as professionals looking to continuously further their own education. According to Damera, both areas are characterized by their own clear brand identity and an unmistakable offering. But solely considering the aspect of scalability, i.e., the possible expansion of the business model to other countries and areas, Damera sees a clear advantage for Emeritus. “Online programs have a larger potential audience,” he says.

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 the 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 exploring the possibilities of collaboration with local partners,” says Damera.

**Plans for expansion to China and South America**

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. “Bertelsmann has also helped connect us to potential investment funds for our future capital raise, and helped us think through growth more strategically.” Besides Bertelsmann’s strategic knowledge in the field of higher education and its similar values, it is this global footprint that makes Bertelsmann the ideal partner for Eruditus, says Damera.

In addition to new regions of the world, Eruditus also plans to get into new fields in corporate training. Along with classic executive subjects such as management and leadership, further subjects were recently added. The company now offers courses in the fields of Data Science, Fintech, Analytics, Artificial Intelligence and Machine Learning. “Our offering will keep evolving to cover the latest learning themes in today’s dynamic business environment,” emphasizes Damera. Eruditus has clear growth targets for the future: “We
want to achieve revenues of more than $100 million in the upcoming 2019 financial year, and significantly increase the number of students enrolled worldwide,” announces Damera. He forecasts, 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 – it will be more than 30,000 professionals and executives around the world benefitting from Ivy League quality in their continued professional training, thanks to Eruditus.
Bertelsmann at a Glance

Bertelsmann And Its Divisions

Bertelsmann’s core divisions encompass RTL Group (television), Penguin Random House (book publishing), Gruner + Jahr (magazine publishing), BMG (music), Arvato (services), the Bertelsmann Printing Group (printing), the Bertelsmann Education Group (education) and Bertelsmann Investments (fonds).

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Contact Details
Bertelsmann SE & Co. KGaA
Corporate Communications
Carl-Bertelsmann-Straße 270
33311 Gütersloh (Germany)
Phone: +49 (0)5241 80-2368
E-mail: benet@bertelsmann.com

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