TRANSFORMATION TO DIGITAL@BERTELSMANN

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Dear readers,

Digitization is revolutionizing the media, and especially the way we use them. Bertelsmann is tackling this change and playing a part in shaping it. Bertelsmann’s CEO Thomas Rabe has declared the digital transformation of our existing businesses and the development of new digital businesses a strategic priority for Bertelsmann — alongside strengthening the core, the development of growth platforms, and regional expansion.

The digital transformation of the business is already in full swing, driven forward by experienced and innovative minds — the „digital transformers“ at our companies. Since the middle of 2012, we have presented examples of this process — the men and women behind the innovation - in our „Transformation to Digital@ Bertelsmann“ series.

The spectrum ranges from new digital formats and channels for television, to book and magazine apps, to e-books. The transformation processes are being enhanced with digital archiving and the development of customized digital products for customer service and customer loyalty. This brochure contains all previously published reports on the transformation to digital at Bertelsmann.

Based on the popularity of the brochure, we have added four new articles to the first edition. You can access other episodes of the series on BENET and the Internet. I wish you an inspiring read!

Yours
Karin Schlautmann

Karin Schlautmann
Head of Corporate Communications, Bertelsmann SE & Co. KGaA
How TV formats are becoming available anytime, anywhere
ALL CHANNELS

How TV formats are becoming available anytime, anywhere

RTL Interactive
Cologne

RTL Interactive brings TV content onto all relevant platforms and devices.
Sit down on the sofa, turn on your favorite TV channel, and watch whatever happens to be on. Until not so long ago this was the exclusive reality of TV viewing. But nowadays there are many new options and channels, many of them mobile, for broadcasting a channel’s content – and more and more television viewers are taking advantage of this new freedom of choice. Although average daily TV consumption reached a new high at 225 minutes in 2011, the augmentation of ‘linear television’ with non-linear TV services is in full swing. One of the trailblazers of this process in Germany is RTL Interactive, a division of Mediengruppe RTL Deutschland that handles the group’s online, mobile, diversification and licensing activities. In this installment of the ‘Transformation to Digital @ Bertelsmann’ series, BENET speaks with RTL Interactive’s Managing Director Marc Schröder and Matthias Büchs, Head of Online/Mobile/Teletext, at their headquarters in Cologne.

“RTL Interactive’s strategy is essentially based on two megatrends of recent years: the increasing transmission of TV content to all relevant platforms and devices, and the augmentation of linear TV consumption with non-linear use, where viewers themselves decide what they watch and when they want to watch it,” says Schröder, who is also responsible for strategic business development on the Mediengruppe RTL Deutschland management team. And this diversity of offerings and use options has long since become evident in RTL Interactive’s daily work. Besides creating exclusive content, an editorial team of 60 also prepares video content from the media group’s news and magazine shows and other programs for various platforms and serves it there. “In the past, content would be prepared for TV, and perhaps for the channel’s own website; today the same content is efficiently distributed across multiple product brands via different channels – optimized for TV, mobile or PC in each case,” says Büchs, describing the increased complexity of their daily business. The different channels on which this content is then watched ranges from the channels’ websites and other verticals, to analog and digital teletext, to mobile websites and apps, through to social networks like Facebook and wer-kennt-wen.de.

And the media group by no means makes its valuable programs – mainly video content of course – available to any and all services. “A few years ago we laid down a set of rules that we strictly adhere to and which primarily serve to protect our content, our brands and our business model,” says Schröder. For instance, he says it must be ensured that the content is not altered or mixed with other content. Second, it must always be clear to the audience that the content originates from RTL or Vox, for example. And finally, he says the content may only be marketed...
Online since February 2012: the “RTL Inside” App.
“A FEW YEARS AGO WE LAID DOWN A SET OF RULES THAT WE STRICTLY ADHERE TO AND WHICH PRIMARILY SERVE TO PROTECT OUR CONTENT, OUR BRANDS AND OUR BUSINESS MODEL”

Marc Schröder, Managing Director of RTL Interactive
Matthias Büchs, Head of Online/Mobile/Teletext at RTL Interactive
directly and exclusively by Mediengruppe RTL. “As long as this is guaranteed, we are happy to make use of all the relevant options for getting our content to viewers, even via third parties,” says Schröder.

Schröder can easily live with the fact that RTL Interactive might be perceived by some Internet activists as a “brakeman” slowing down developments in the digital world because of the strict control it exercises over its content: “Experience in other industries such as the music industry has shown that rules are needed for making professional content available, especially in the digital world.” Not everything that is technically doable also makes sense in the interests of ensuring a diverse television offering in the long term. For example, he says it is easy to use technology to skip advertising, a practice that may appeal to certain people. But at the same time, this would destroy the foundation of the media group’s business – and would therefore prevent the creation of appealing content in the long run. “This may not always be a popular view, but in the end the infrastructure providers are also persuaded by these arguments, because ultimately everyone involved has an equal interest in business models that work.” And when it comes to developing new business models, RTL Interactive is by no means stepping on the brakes, but (staying with the analogy) has its foot firmly on the gas. “This is the only way we can have a say in the conditions that will govern our business in the future,” Schröder believes.

More than 11,000 hours of programming available

A new development that RTL Interactive has advanced mightily in recent years are the “catch-up” services offered by the “Now” family – the Web sites of Mediengruppe’s various channels, where people can view programs or series they’ve missed for seven days after the TV broadcast – free of charge, but with ads. “We now have five ‘Now’ portals: RTL Now, Vox Now, RTL II Now, Super RTL Now, and RTL Nitro Now, which was launched simultaneously with the new channel. Together these portals have more than 11,000 hours of programming available for viewing,” says Büchs. The user numbers generated by the various “Now” services in particular are impressive. “The ‘Now’ portals, the video clip portal Clipfish and various web-sites and apps now generate more than 118 million video views a month – more than ten percent of them on mobile devices,” says Büchs. Roughly 40 percent of them are “long-form” video views, where users watch an entire program or a complete episode of a series.
“THE ‘NOW’ PORTALS, THE VIDEO CLIP PORTAL CLIPFISH AND VARIOUS WEBSITES AND APPS NOW GENERATE MORE THAN 118 MILLION VIDEO VIEWS A MONTH – MORE THAN TEN PERCENT OF THEM ON MOBILE DEVICES.”

Matthias Büchs
How TV formats are becoming available anytime, anywhere
So the “Now” sites are already being used by millions on their PCs and mobile devices – what has been missing until now is their availability on TV sets at home, but here too RTL Interactive is working hard on new offerings. After all, more and more television sets are now Internet-enabled, a standard feature on recent models. The universal technical standard HbbTV makes it possible to conveniently display and use the “Now” online sites on TV sets. A program that was originally broadcast on RTL and then becomes available on the Internet via RTL Now simultaneously returns to TV, bringing the development full circle. To make things even easier for viewers in future, Mediengruppe RTL Deutschland is in talks with device manufacturers and infrastructure providers concerning the rules for integrating the “Now” offers. For instance, in June 2012 it signed an extensive contract with Germany’s largest cable operator, Kabel Deutschland, that also covers the integration of “Now” offerings later this year. The future measurability of non-linear use is also important, in order to give advertisers a convergent currency for video content across all platforms.

**Extensive background information**

Meanwhile, RTL Interactive is already hard at work on the next step in mobile development: “By the end of the year 2012 we will merge the paid RTL and RTL Now apps, making RTL’s live programming and the RTL Now catch-up service available in a single app,” explains Büchs. The monthly subscription fee for this mix of ad-supported and paid content is still being tested. “After gaining extensive experience with ad-funded and paid apps, we are still at the experimentation stage,” says Büchs. This is also true for the pricing of other online and mobile offerings. Simply put, Mediengruppe RTL needs to have its own offers everywhere and try out as many things as possible, with particular attention to robust business models, says Büchs. For one thing is clear: “The advertising market is not getting smaller; it is just being distributed differently – so Mediengruppe RTL needs to create as many attractive offers as possible, that reach lots of users and are therefore attractive for advertisers.”

Not only has television become mobile in recent years; viewing habits have also changed, especially among the all-important young audience. Instead of just passively watching a program, during some shows viewers want to use smartphones or tablets to interact with their friends about the content, perhaps commenting on or
How TV formats are becoming available anytime, anywhere

“Second Screen”-App “RTL Inside”
All channels

recommending it on Facebook. In the U.S., this trend of parallel content use – the “second screen” – is already widespread, and in Germany one in four viewers already uses another device while watching TV. Since February 2012, RTL Interactive has targeted precisely this growing user group with its new “RTL Inside” app.

“RTL Inside” gives viewers extensive background information on programs currently being aired on RTL. The app also offers options for communicating about shows, news and series 24/7 via the “Check In” function, which viewers can use to tell their friends on social networks what they’re watching on RTL. They can also use the app to interact with their friends while the program is on air, in the RTL community or in social networks like Twitter and Facebook, or from now on wer-kennt-wen.de. The “RTL Inside” offer is rounded off with videos and reports and the latest news about the formats. Users can, for example, download play-lists of songs from the episode of the soap “Gute Zeiten, schlechte Zeiten” (Good Times, Bad Times) while it is being broadcast, view plenty of videos tying in to their favorite shows, or even immediately download the winning “Deutschland sucht den Superstar” (Idol) song. RTL Interactive already gained initial positive experiences with such “second screen” offers 2011, with apps for the talent shows “Deutschland sucht den Superstar” and “X Factor.”

The “RTL Inside” app has been very well received by users. Upon launch, it was in the top 3 of the Apple App Store “new and noteworthy” rankings, and has since been downloaded about half a million times from Google Play and the Apple App Store. “The usage figures are also impressive,” says Büchs. “Each month, an average of more than one million videos are viewed via the app, and nearly ten million page impressions are generated.” In addition, since the launch of the app around 20,000 users have “checked in” to RTL programs, and during a show like “Deutschland sucht den Superstar,” posts to the app will get between 1,000 and 3,000 comments. “For us, this is an extremely promising development that on the one hand significantly enhances the TV experience – the ‘big screen’ for entertainment, the second screen for personal communication – while also increasing audience loyalty to our channels and brands,” says Managing Director Marc Schröder.
RTL Interactive already gained some positive experience with “second screen” offerings 2011 with the app for “Deutschland sucht den Superstar” (German Idol)
EMBRACE DIGITAL

How publishers are responding to the upheaval in the book business
EMBRACE DIGITAL

How publishers are responding to the upheaval in the book business

Random House Inc.  New York

Random House, Inc. took its first steps into the digital domain early on.
How publishers are responding to the upheaval in the book business
The term “historic” should always be used with care, but there’s probably no better way to describe the complete transformation that the global book and publishing industry is currently undergoing. An entire industry is reinventing itself and redefining the traditional relationship among publisher, author, bookseller, and reader. Nowhere is this more evident at the moment than in the U.S., where the transition to digital has been the most rapid and is the most advanced – and serves as a test case for publishers in other markets. In many ways, the U.S. book market previews what lies ahead for countries such as the U.K., Germany, and Spain. One of the centers of this transformation can be found at the 1745 Broadway, New York, headquarters of Random House, the largest trade-book publishing group in the country and the world. Just as other countries look to the U.S. to get a glimpse of future developments, many in the domestic book industry look to this market leader. For our “Transformation to Digital@Bertelsmann” series, digital experts from the U.S. publishing group tell BENET how Random House, Inc. is handling the rapid advance of the e-book and the new challenges of the digital world.

**Embracing change**

The transition to digital at Random House, Inc. has proceeded at a breathtaking pace. In mid-2007, e-book sales accounted for less than one percent of overall revenues. E-book reading devices were not very popular, and whether or when the new medium would achieve its long-prophesied breakthrough was anyone’s guess. Nevertheless, Random House, Inc. had been working since the mid-1990’s to secure digital rights and convert its backlist catalog into digital. The early investment was substantially increased in 2006 with the creation of a robust digital archive and distribution system. While these efforts at times seemed out of proportion to the miniscule early e-book revenue, the result was a critical early lead in digital content availability and in the scalable systems and processes necessary to support digital transactions. By the time Amazon launched the Kindle in late 2007, Random House’s digital backend was ready to support growth.

In 2012, the U.S. publishing group expects the digital business to account for around 25 percent of revenues. Madeline McIntosh, who currently oversees the group’s digital activities in her capacity as the company’s COO, says: “Random House embraced the transformation to digital at a relatively early stage, which paid off once the market took off.”
Random House, Inc. succeeded in embracing and driving change by actively advancing and accelerating its digital strategy in a remarkably brief period of time. “The rapid market development over just two years forced us to go through the inevitable cycle of growing pains in a compressed time frame. While the speed was dizzying at the time, it was ultimately good for us. There wasn’t much room for a ‘denial phase.’ We had to accept that readers really wanted this new format, and that to continue to lead the market we needed to embrace the format wholeheartedly. ‘Embrace digital’ became our mantra,” adds McIntosh.

This change in mindset is now felt across all of Random House, even in departments whose primary work product is print-based. “Random House has fundamentally abandoned an earlier format-based mindset, in which publishers, marketers and salespeople were oriented around format specialties, such as hardcover or paperback. Instead, we all recognize that content expertise is our core strength, and that is a strength that is not fundamentally threatened by shifts in format or channel. We care about which book a consumer chooses to read, not about how they choose to read it,” says McIntosh. While an atmosphere of constant market change takes some getting used to, “embracing digital” has provided teams throughout the company with confidence to face these changes with optimism.

Random House’s digital teams are in total agreement that a cooperative atmosphere, a culture of collaboration within the organization that promotes rapid dissemination of information, and the willingness of employees to help shape the transition to digital and to take the lead wherever possible has been and will continue to be essential to this rapid and fundamental transformation. Nihar Malaviya, Senior Vice President, Director, Strategy, Analytics & Program Development, emphasizes that it is of little benefit to build insulated silos full of digital knowledge. “In a market that’s changing so fast, it is essential for companies to capture knowledge in all areas and share it as quickly and widely as possible to stay on top of the change.”

**New know-how and skills**

For this reason, in addition to holding regular meetings for specialists from the various publishing divisions and centralized support divisions – known as the Internet Marketing Forum – Random House also organizes digital workshops and instruction-
Embrace Digital

Courses for a larger number of staff. A wide range of topics are covered, such as metadata management, online research tools, digital marketing for non-marketers and Facebook and Google campaign management. “To date, more than 500 of our colleagues across many functions have participated in at least one training session – many have done multiple classes,” says Amanda Close, Senior Vice President, Director, Digital Marketplace Development.

Nina von Moltke, Senior Vice President, Director, Digital Publishing Development at Random House, refers to new tasks and practices in the field sales group as examples of how these new skills are being put into effect. Previously, the sales reps were focused on selling new titles to their assigned bookstores; now they are active in a wide variety of venues and platforms, giving public presentations to local consumers about new Random House books and reaching thousands of new followers as bloggers. “Some of our sales reps and their home office-based marketing counterparts are now regarded as real luminaries in the book world,” says von Moltke. She also emphasizes that a broad internal knowledge based on digital topics is vital for the daily interactions with authors throughout the publishing divisions. “Our authors are always our primary focus; we are their most important partner, and they expect us to provide them with the best advice and support – including information about new digital formats, new ways to reach and interact with readers, and effective tools to increase audience.”

New services for authors

The concern that authors might use the new digital tools to self-publish their works purely electronically en masse has not been borne out for Random House. “It’s true that it is much easier today for writers to self-publish a book digitally. At the same time, the increasing abundance of book content makes it even harder for a book to get noticed and break out,” says von Moltke. And so, she says, most authors prefer to leave the hard work of creating awareness and maximizing distribution to a publisher. “Of course, we must constantly demonstrate that they would not be in better hands anywhere else, and that no other publisher has as much to offer them as we do.”

On the other hand, self-published books also offer present opportunities for publishers, offering a new way to discover talent that resonates with readers. A recent and very impressive example is the “Fifty Shades” trilogy by E L James.
How publishers are responding to the upheaval in the book business

Madeline McIntosh, COO of Random House, Inc.
After acquiring the rights to republish the originally self-published three novels, Random House publishers in the U.S., Canada, and the U.K have sold a record-breaking 40 million books since early April, and the three volumes are still holding strong on the top slots on their respective bestseller lists. Early sales for the trilogy from Verlagsgruppe Random House and Random House Mondadori imprints, where the novels reign as #1-3 nationally, are also enormous.

To complement the in-person interactions with authors and to provide authors with access, information, and resources in this fast-changing market environment, Random House, Inc. in March 2012 launched its own dedicated Web site just for its authors: the Random House Author Portal. It provides a variety of frequently updated information, such as sales figures for individual books, royalty statements and rights sales, as well as the latest Random House and book-industry news and a wealth of online marketing resources. “Our Author Portal not only offers our authors a portfolio of data, but also unprecedented transparency,” says von Moltke. BENET will present the Author Portal in detail in a separate report soon.

**E-book economics**

A key factor in the success of the e-book business model is that consumers are willing to pay appropriate prices for e-books. “Unlike in other industries, in the book industry content has never been available for free in its entirety for bestselling books,” says Malaviya. He says he differs with the many self-proclaimed experts in the blogosphere who, with the advent of e-books, vehemently argued for e-books to be made available by their publishers free, or at extremely low prices. “Our market research and our own experiences quickly showed a different picture. Consumers are willing to pay for our e-book content, provided they can easily buy it on any device that they want to read it on,” says Malaviya.

How much buyers are then willing to pay is another matter that publishers must constantly evaluate. At Random House, the pricing of e-books involves a highly complex analytical process that automatically monitors the price trends of 250,000 e-book titles on a daily basis. “The necessary IT systems were all developed in-house,” says Malaviya. The U.S. publishing group, which under the “agency” model sets the retail prices for its e-books, keeps experimenting with price adjustments to find the optimal balance between unit price and units sold. And because the share of e-book sales continues to rise, it is also increasingly
How publishers are responding to the upheaval in the book business

From top left: Nihar Malaviya, Amanda Close, Nina von Moltke, Chris Hart, Maya Mavjee, Gina Centrello, digital experts and publishers at Random House, Inc. spoke to BENET how the U.S. publishing group is handling the challenges of the digital world
important for the publishing group to get the most accurate possible information about consumers’ buying and reading habits. “Building our own knowledge of consumer behavior is an urgent priority for us,” Malaviya adds.

The transformation to digital has not only affected working methods and also, in part, both the external image and self-perception of Random House, it also has direct implications for the print book business. While other publishers’ attention was focused exclusively on the challenges of digital publishing these past few years, Random House, Inc. has continued to invest in the supply chain and value proposition for print books with the aim of accelerating its distribution and increasing title availability in order to gain additional market share. For instance, Random House, Inc. developed the “vendor-managed inventory” system, which is unique in the industry and is now used by the leading national book chain, Barnes & Noble, as well as independent bookstores.

In vendor-managed inventory, the publisher, rather than the bookseller, now instigates and ensures a timely re-ordering of titles. “We developed a proprietary IT system that determines the current status of each of our tens of thousands of active titles at every single Barnes & Noble bookstore, every day. It derives sales trends from this, and automatically adjusts inventory levels as necessary,” explains Chris Hart, Vice President, Information Technology at Random House. The result of this has been an increase in the publishing group’s market share because of the higher availability and subsequent sell-through of Random House titles, for example, during the important Christmas season last year. “And at the same time, we made an important target group – the booksellers – happy,” adds Malaviya.

New tasks for marketing

Marketing now plays an increasingly crucial role in giving authors the widest possible readership, particularly with the closing of conveniently located bookstores, which is increasingly the case across the U.S. Since May 2011, Random House, Inc. has had its own cross-divisional Marketing Board comprised of in-house marketing and publicity leadership. Its task is to identify new and overarching consumer trends and better understand the end-readers’ purchasing priorities. “In order to draw their attention to our authors, we need to understand our readers much more than ever before,” says Close. The Marketing Board has identified three strategic priorities to achieve this goal: 1) build consumer insights and a
consumer-focused mindset across the organization; 2) develop scaled reach and
deepen our ability to target influencers (including bloggers, as well as traditional
media); and 3) invest in the ability to track and understand the effectiveness of
marketing and PR programs.

Close sees the close cooperation with “verticals,” Internet portals for specific
topics such as family life or cooking – characterized by a clearly defined, generally
very active user group – as one excellent way of reaching readers directly. For in-
stance, Random House, Inc. works with the political-journalism portal politico.com
and operates the “Politico Bookshelf” online bookstore. “This collaboration with
Politico serves as a successful example for other prospective partners, and has
sparked a lot of interest,” says Close. “The idea for us is to create ‘shelfspace’
and new discovery vehicles, and then drive sales through a range of participating
retailers. The Politico Bookshelf, for example, drives sales to Politics & Prose,
a local Washington D.C. bookseller with a focus on current affairs and politics.
It’s a nice match."

**An ongoing process**

In speaking with the corporate digital senior leadership at Random House, it soon
becomes clear that while the company’s transformation to digital is in full swing,
it continues to evolve and is far from reaching a completely settled state. For
instance, as mentioned, the digital sales share of many specialty and branded
nonfiction titles is still relatively low compared with fiction. This is mainly due to
the fact that it is much more challenging to digitally replicate the experience of
reading books with full-page photos or full-color illustrations. Usually an expensive
book app is required, which takes a lot of time and money to produce. “Here, we
are still at the experimentation stage,” says Maya Mavjee, President & Publisher,
Crown Publishing Group, who, like her counterparts at the company’s four publishing
divisions – is spearheading a number of new initiatives to create meaningful digital
experiences for the group’s authors. “In creating individual new product formats,
we are always trying to look for ways to scale what we have built and learned and
apply that to the many other titles and authors that we publish,” says Maya Mavjee.

In spring 2012, Crown successfully launched a digital version of “American
Grown,” the #1 hardcover bestseller by U.S. First Lady Michelle Obama. Crown
released the digital edition, not as a book app, but as an “interactive e-book,”
“American Grown” by Michelle Obama (Crown)
i.e., a conventional e-book with additional features that enabled digital readers to have a fully enhanced four-color experience of the book. The “American Grown” e-book, which has the functionality of an app and is the most sophisticated digital title yet released by a major publisher, was developed by the publisher, the corporate e-book production team, and Random House’s digital agency Smashing Ideas. The product was featured at Apple’s World Wide Developers Conference (WWDC2012).

**Indispensable expertise**

Another new idea in development is a companion app to the print book, which Crown is currently testing: The forthcoming diet book “The Fast Metabolism Diet” by Haylie Pomroy will be accompanied by an app to help users stick to their diet plan.

Crown sees great potential in supporting its authors even more closely in helping them build their own brands. “We can support them with video, merchandising, and in the development of communities — Random House has the indispensable expertise,” says Mavjee. All this with the aim of providing authors with invaluable service to enhance a long-term publishing partnership.

Random House’s digital development also continues aggressively in the field of fiction, where e-books already account for a substantial portion of total combined-format sales. The shift to digital distribution, for example, comes with fresh new marketing challenges. “We have to create new ways for readers to discover books,” says Gina Centrello, President and Publisher, Random House Publishing Group. One of these avenues is the publishing group’s “Digital Only” initiative, where readers get an opportunity to purchase a short story or novella as an e-book for $1.99 or $2.99 connected to their favorite author’s new full-length work. “Our ‘e-shorts’ have become a great marketing tool for us,” says Centrello. “Most customers who buy these short pieces ultimately end up buying the author’s new book, either as an e-book or hardcover. In today’s digital landscape, having a short work in the marketplace prior to the release of the author’s next full length work helps us maximize the window of promotion for the new title and serves as a great entry point for new readers.” Centrello’s division has also successfully published these short pieces by bestselling authors like Dean Koontz, Debbie Macomber, Lee Child, Karin Slaughter, and Steve Berry.
Random House publishers are systematically combining the new online options with their own expertise and accumulated knowledge to open up new reader constituencies for their authors. For instance, Centrello’s publishing group used creative marketing with romance fiction Web sites to spark interest among women readers for their best-selling author Lee Child, a writer of thrillers with a large male readership. They also boosted #1 bestselling novelist Janet Evanovich’s success through intensive online marketing promotions.

“We want to offer our authors a unique publishing experience with us — to do this, we talk to them, but above all, we listen to them too,” says Centrello. “We really believe that we have the potential to help every author of ours be even more successful. We start by supporting them to produce the best possible book, and then deliver it to the widest possible readership — across all channels.”

**The trends of tomorrow**

When it comes to the future development of the book industry and its transformation to digital, Random House colleagues around the world look to the United States. But who do their U.S. counterparts look to when they want to learn about trends and the future direction? “We learn from other companies in other industries. After all, the world out there is much larger than the book-publishing world,” says Nihar Malaviya. Experts like him or Chris Hart are already strategizing for the next stages of the transformation to digital — which may become more about “social reading,” the communal reading and experiencing of books online.

That would mean further, entirely new challenges for publishers, says Hart: They will have to ensure that their content — whether in e-books, on websites or Facebook fan pages — is constantly up to date. “With print books, the reader can accept the fact that the author’s content may not be current; that cannot prevail with digital content,” says Hart. Another idea being mulled: To ensure that links in e-books will still be usable years later, publishers will have to develop and use “smart” IT architecture.

Yet even with all the changes and transformation Random House U.S. is benchmarking, there is an eternal truth: “Today, as ever, the role of publishers is to enable new and exciting reading experiences for everyone — the ‘why people read’ is constant; only the ‘how people read’ is changing,” says Nihar Malaviya.
THE “WHY PEOPLE READ” IS CONSTANT; ONLY THE “HOW PEOPLE READ” IS CHANGING.

Nihar Malaviya
Telling stories
TELLING STORIES

How journalism works in the age of apps
TELLING STORIES

How journalism works in the age of apps

Verlagsgruppe News  Vienna

For G+J’s Verlagsgruppe News, the ‘News’ and ‘Profil’ magazines apps have nothing but advantages.
How journalism works in the age of apps
On the way to the News Tower rooftop terrace in Vienna with panoramic views high over the Austrian capital, Nana Siebert says she needs to “just nip back and get her documents.” She disappears into her glass-enclosed office for a moment. The journalist comes back not with a notepad and pen, a stack of magazines or books, but – we might have known, really – just an iPad in her hand. Using only this little tablet, almost single-handedly and within a few weeks Siebert, a true believer in the Internet, created iPad versions of two of G+J’s most important magazines in Austria: first the popular illustrated magazine “News,” then the venerable news magazine “Profil.” She did such a good job with the latter that Apple went on to choose the “Profil” app as its App of the Month and, more importantly, more and more of Siebert’s colleagues, seasoned journalists like her, have set aside their professional skepticism and personal concerns about engaging with new media and new forms of journalism. For some it’s a small revolution; for the company it’s part of its transformation to digital. Nana Siebert tells us about both in the BENET “Transformation to Digital @ Bertelsmann” series.

The bridge from the old to the new

“Tell” is the operative word here. For Siebert, storytelling is the bridge from the old to the new, from print to the digital world of apps and verticals, online journals and e-magazines. In this world, the journalist sees “only benefits” for her profession. “Here we have every opportunity to tell our stories so comprehensively and well through multimedia means that readers can’t help but understand them and be captivated by them,” says Siebert. “There are no space restrictions. We can give a story as much room as it requires. We can illustrate it with an endless number of beautiful photographs, and enrich it with sound bites, video and background material.”

She says there are virtually no limits, enthusing about the new opportunities that she herself also increasingly prefers to use when Siebert the journalist becomes Siebert the reader (or rather, user). “For example, if I want to read ‘Gala,’ I want it here and now – no matter what time it is or where I happen to be.” For her, having to depend on a newsstand is a horror. Always? “Not always,” she admits. “There are a few glossy magazines I prefer to physically hold and leaf through.” Or leave them at home on the coffee table, because they convey a certain image. They include the likes of “Beef,” which indicates “I’m cool” in the world of thirtysomethings.
How journalism works in the age of apps

Nana Siebert, now Head of “Woman Digital”, Verlagsgruppe News
High-profile “App of the Month”: the app for “Profil” magazine
However, Siebert doubts whether that will be the case in the world of their children. She feels the trend of obtaining information on the Internet is irreversible. She only has to look at her own 14-year-old son. But while his generation is already opening up new channels of information and communication, Nana Siebert initially had, and still has, readers of traditional G+J print magazines in her sights with her projects. She wants to offer them new and additional products on digital channels. First the “News” and “Profil” apps, and now she’s setting up an entirely new online presence for “Woman,” which has the ambition of being the online destination of choice for all women – first in Austria and then perhaps in all the German-speaking countries. But more about that later.

More of an opportunity than a commission

Nana Siebert was given the commission – she herself would probably call it the opportunity – to develop an app for “News” in August 2010. Four months and many late nights later, the beta app was up and running on her iPad. During a dress rehearsal that took just two hours, the journalist and her no less online-obsessed colleague Alexander Shilovsky had published the entire current print edition of 124 pages as an app and passed the final test run.

That was important. “For a weekly magazine like ‘News’, whose app is supposed to appear even before the printed issue, speedy production is a must,” says Shilovsky, who then impressively demonstrates what he means by “rapid.” His fingers fly over the computer keyboard, reach for the mouse, swipe the iPad lying next to the keyboard, and within seconds drag text, headlines, pictures and captions from the content management system of the print version of “News” into the app. Filling it page by page, template by template. “We work with a maximum of seven of these templates,” says Shilovsky. “They are optimized for the iPad, and allow us to create the pages more quickly.” Finally, a few quick corrections here, a few HTML codes there, and the app article is finished and the job done.

Nana Siebert sits herself down at the computer for the next bit, which she calls the “extra.” “More” is the telling headline over the right-hand column of the template she now devotes her attention to. This is where she links background information to the article, adds further interview sections, plus videos, sound bites and entire picture galleries. Content that the printed “News” could never accom-
modate because of its physical limitations can be linked ad infinitum here. “In the app, an editor can tell the whole story. From beginning to end, in all its facets,” says the journalist and gives us an example. “My colleague Christoph Lehermayr spent two weeks in Ethiopia researching a report on development aid in the African country. He came home with full notebooks, hundreds of pictures and even more impressions. But ‘News’ could only give him four pages.”

Of course Lehermayr didn’t want to waste all the material that couldn’t fit into the print edition, says Siebert, so together they input it into the app: maps, charts, more than 30 photos – and the videos he took in Ethiopia with a small, simple Flipcam. It became a comprehensive, beautiful, stunning report.

**The profession of journalism is changing radically**

Siebert can’t help smiling at the question of whether all of her colleagues now bring along video cameras from their meetings and research. “Some already do,” she says, “and it’s nothing to do with age, by the way. We take the material we are given.” But, she says, editorial attitudes are changing, and that is part of the transformation to digital. “Everyone here at Verlagsgruppe News now understands that their job is no longer just about researching an article and inserting it into a layout” says Siebert. Those days are over, she says. The editorial team’s job descriptions are changing radically. “We are now writers, layout editors and producers all in one.”

Some find the cultural change more difficult; others are fascinated by it, continues Siebert and recalls an experience outside her company, in Paris. “When I was just starting to develop the app and was searching for successful ones to model it on, I went to ‘Paris Match.’ They have a really good app.” She says she met an older arts pages editor there who until now didn’t even use a typewriter, let alone a PC. He simply refused, and dictated his articles to a secretary instead. Full stop. “And suddenly this man had to narrate his critique of the work of a photographer as an audio file for the app. It was an enormous effort for him, but in the end he was really proud of the result and played it to me again and again.”

Many journalists are quite open to the digital distribution of their content via app. “The app enjoys much greater acceptance than a website,” says Siebert. Why is that? “The app is a reflection of the familiar magazine. Their product remains recognizable and it is paid for. This gives us journalists a much higher level of
The pressure of news: the production of an entire app edition must take no longer than six hours
“I WANT TO READ A MAGAZINE HERE AND NOW – NO MATTER WHEN. NO MATTER WHERE.”
identification than with an online site, where the content is simply input and can be remodulated again at will.” But there is also a leverage aspect that makes even critical colleagues curious, she says. “We regularly internally publish the hit rates for the most-read stories – and every journalist wants to be widely read.”

Siebert believes that because the app still contains a lot of content from the original print version, this form of digital magazine reading is especially attractive to many iPad owners. And at the end of the day what they want is what counts when publishers and editors are striving for the “perfect app.” Aside from the challenge of meeting the expectations readers place in an established brand such as “News,” Siebert believes an app is successful if it can be created quickly and efficiently using very few resources. At “News” “quickly” means that the app’s entire production process, in other words the transformation of the magazine, takes two colleagues six hours. Using very few resources means that the app must not take up too much space on the tablet. With this in mind, Siebert cautions against the temptation to use showy multimedia gadgets. “Everything should have a purpose,” the journalist is convinced. “Sometimes a simple PDF version of the magazine is better than a bells-and-whistles digital version that distracts from the essentials.” And, as mentioned earlier, what is essential is the story.

A lot of app with few resources

A magazine app can only be profitable with this approach. “Big apps that need big teams to produce them just can’t pay for themselves,” says Siebert. “You have to achieve a lot with few resources.” Above all, you mustn’t “give away the app or anything in it for free,” she says, defending the creative effort of her colleagues. “The editorial team put a lot of time, love and energy into their work. A free app would devalue it all – and also a strong brand like ‘News.’” So the “News” app costs €2.39 per issue – 31 cents less than the print edition. As is the case with the magazine, the cover price doesn’t provide the bulk of the financing for the app. Advertising takes care of that – in both media.

Nana Siebert’s next big project will also be primarily funded by advertising: the new online version of “Woman.” In just eleven years, “Woman” has not only become one of Austria’s most successful women’s magazines, but also one of the four strongest women’s brands in the country. The publishing company intends to leverage this brand power online. “We are building a portal where women can go
“SOMETIMES A SIMPLE PDF VERSION OF THE
MAGAZINE IS BETTER THAN
A BELLS-AND-WHISTLES
DIGITAL VERSION THAT
DISTRACTS FROM THE
ESSENTIALS. AND WHAT’S
ESSENTIAL IS THE STORY.”

Nana Siebert
Almost like print – but for swiping instead of leafing through: the app edition of the magazine
to find every conceivable kind of content at a glance,” says Siebert, providing an insight into her project. But above all she wants women to post their own content on this portal. “User-generated content will determine the success of the new ‘Woman’ Web presence, because women trust each other and want each other’s tips on children, food, love and fashion.” The most important task of the editorial team is to stimulate this exchange, says Siebert. “Even ahead of creating their own professional content.”

Siebert believes the future belongs to “verticals” such as the planned “Woman portal,” devoted to specific issues or target groups online. “Publishers will then team up with partner companies to host the platform, contribute their content, and stimulate exchange within the community,” she says, describing a scenario not unlike the Facebook principle. This will suit the tastes and habits of the next generation of Internet users. Her son’s generation, for example, for whom it would already be far too unwieldy and impractical to have to “lug” all their documents to a meeting on an iPad.
LEARNING PARTNERS 4

How training materials for PC software reach customers around the world
LEARNING PARTNERS

How training materials for PC software reach customers around the world

Arvato Hightech EMEA
Herzebrock-Clarholz

Creating an online platform for ordering courseware is part of the support Arvato provides to Microsoft.
How training materials for PC software reach customers around the world
Granted, the importance of the village of Herzebrock, part of the town of Herzebrock-Clarholz in the district of Gütersloh, to the global economy isn’t necessarily evident if you just drive through it. But that is similarly the case for Redmond, Washington, though the little town just outside Seattle has a population almost three times that of Herzebrock-Clarholz. This parallel does, however, show one thing above all: In the digital age, high-volume, profitable business can be done from anywhere in the world. That applies just as much to the software giant Microsoft from Redmond as it does to Arvato in the heart of East Westphalia — in fact the two companies share a common success story to some extent, because Microsoft has been a loyal Arvato customer since 1994. In summer 2012, the cooperation between the two companies in 152 (!) countries worldwide was highlighted as an example of best practice and named “BPO Contract of the Year” by the European Outsourcing Association. At Arvato, the Arvato Hightech EMEA Division works in close partnership with Microsoft, or more precisely the Microsoft Learning unit. For more than 14 years, the Arvato subsidiary has supplied officially certified training providers with the necessary training materials on behalf of Microsoft Learning in the EMEA (Europe, Middle East and Africa) region, from Herzebrock, and the APAC (Asian, Pacific region) region, from Singapore. It also handles all of the business-critical processes related to online ordering, production, finance, logistics and customer services. “We are now expanding these services geographically to include the regions of North and South America and, most importantly, adding a comprehensive digital business solution,” explains Ulrich Schröder, Director of Training & Education at Arvato, in BENET’s “Transformation to Digital @ Bertelsmann” series.

A lucrative business

Specifically, we are looking at millions of customers who receive IT training from certified Microsoft Learning partners. The training materials for these courses, known as courseware, which now encompass over 1,900 course-books, are primarily produced by Microsoft itself in the USA, but their sales are processed through Arvato. It is a lucrative business, as Ulrich Schröder confirms: “In view of the number of Microsoft programs and the fact that they are used worldwide, the demand for training is immense, so we are very pleased to have been involved in this business for so many years already.”
“IN VIEW OF THE NUMBER OF MICROSOFT PROGRAMS AND THE FACT THAT THEY ARE USED WORLDWIDE, THE DEMAND FOR TRAINING IS IMMENSE.”

Ulrich Schröder
Ulrich Schröder (r.) and Konstantin Bohmeyer present the online platform ("Courseware Marketplace") created for Microsoft on an tablet.
How training materials for PC software reach customers around the world
But until now, Arvato has not been alone; Microsoft Learning had commissioned a number of companies around the world to provide various services, including offset printing or printing-on-demand and distribution of course materials, as well as the financial side of the business and customer care – Arvato was responsible for these in EMEA at first and later in APAC, too. Eventually Microsoft realized that this ever-growing and increasingly complex structure of having numerous regional partners provide different services was not conducive to helping the company grow in this segment, e.g. by increasing the digitization of its products and services. And so in summer 2012 Microsoft launched an international call for tenders for a centralized business model organized by a single competent partner. Arvato was only too pleased to give it a wholehearted, concerted effort – and ultimately won the contract in November 2011. In late July 2012, Arvato launched its services for Microsoft customers in EMEA, followed by much of Asia and some Pacific Rim countries in September, and North and South America in October.

Competitive digital solution

“Arvato has an impressive global experience base, and has successfully co-operated with Microsoft for over 14 years already,” says Colin Klein, Product Manager at Microsoft Learning, explaining the reasons why his company chose Bertelsmann’s service arm. “Our business partners at Bertelsmann managed to put together a competitive digital solution, and were able to cover all of the language, currency and payment options needed for a global launch. In addition to this, they also have in-depth experience in the field of e-commerce platforms, as well as regional customer service centers with multilingual support that meet our high standards.”

This gratifying outcome was preceded by many months of preparation at Arvato. “In advance of the tender, we had already started thinking about how we could develop our business with Microsoft courseware,” explains Konstantin Bohmeyer, who is responsible for the EMEA region as the Senior Account Manager at Arvato. “We mainly focused on how to make the courseware available to customers in almost every country in the world,” because that is what it boils down to: creating an online platform that looks the same all over the world, through which users can order their course materials, but which also complies with the various restrictions and conditions, be they linguistic, legal or tax-
“ARVATO HAS AN IMPRESSIVE GLOBAL EXPERIENCE BASE, AND HAS SUCCESSFULLY COOPERATED WITH MICROSOFT FOR OVER 14 YEARS ALREADY.”

Colin Klein, Product Manager at Microsoft Learning
This production hall in Herzebrock is where courseware is printed – on demand
related, in the background. “A task that would have exceeded the capacities of most companies, but which we were ideally prepared to take on, with our broad and international service portfolio,” says Bohmeyer.

**Highly complex**

As many as 100 colleagues and coworkers in Herzebrock and at sites in Valencia, California (USA), Singapore, Brazil, Russia and China spent months collecting information on the market conditions from local Arvato units and the Bertelsmann Corporate Center; developing or adapting concepts and IT solutions; regularly consulting with Microsoft; and testing the features. “The degree of detail that we had to go into for such a project is evident, for example, from the fact that we actually took into account the various payment habits in different countries,” explains Ulrich Schröder. Take Brazil, for example: “There the norm is to pay with Boleto Bancários. This means that whenever you buy anything online, you first print out a receipt, and then take that receipt to an official payment office, where you pay cash. Once the payment has gone through the product is shipped,” explains Ulrich Schröder. “In Japan, Furikomi bank transfers are the norm – but for them we needed to have an account in Japan for invoicing purposes.” Not to mention all of the different data security requirements for online purchases, the various different tax rates and other legal hurdles. In China, for example, there are strict regulations governing the import of printed books. And then there are the various language versions – the just-launched online platform has seven – that need to be provided, and the 23 currencies that are currently accepted for payment. All of these factors increased the level of complexity tremendously, but I am very proud, and it is a real credit to our employees, that we accomplished this task,” says a visibly pleased Schröder.

Specifically, Arvato Hightech developed the “Courseware Marketplace,” the “Digital Textbook Reader” and the “Publishing Community” for Microsoft Learning. “As a central, international platform, the ‘Courseware Marketplace’ guarantees that global sales and the electronic or physical distribution of training documents are always up to date,” explains Konstantin Bohmeyer. “It lets registered users search for all of the available course books and put together their own individual training package – they can select not only whole books, but also individual chapters,” says Bohmeyer. “The sequence of the chapters can be changed, as can
the titles of the chapters and books.” At the press of a button, the system works out the purchase price, including all local taxes, and provides a secure payment mechanism. “Upon request, the documents will be put together as they were selected in the shop, perhaps adding a logo or an individual title page, and then are printed ‘on demand’ at Arvato’s premises in Herzebrock, Singapore or Valencia, and shipped the very next day,” says Ulrich Schröder, not without a hint of pride. This method was developed for the European market and is available worldwide for the first time ever.

**Convenient, handy functions**

Of course the file compiled by the customer is also available as a digital version, too. Using a license key, which prevents illegal copying, registered customers can access the material they have ordered using the “Skillpipe” app developed in-house by Arvato – a kind of digital bookshelf for Microsoft Courseware products. Customers can download the file to a maximum of three devices and use them offline, or they can access the documents online in ePub format on an Internet cloud hosted by Arvato Systems in Gütersloh, which is accessible from any computer worldwide. Whether used offline or online, “Skillpipe” provides a range of convenient and handy functions such as individual text formatting, searching for or highlighting of important text passages, insertion of comments or digital notes, and even the option of “sharing” this information with other students in the course using almost any current device or system, including – for the first time – mobile devices such as tablets. These comments can also be backed up to the cloud using automatic synchronization, so that everyone is always has the latest version on their screen. Finally, the Publishing Community comprises the establishment and management of a largely automated online platform for generating course materials. This allows registered authors to contribute their own training material to Microsoft products – also in digital or printed form, with all the convenience of the materials provided by Microsoft itself, while the quality of this content is guaranteed by Arvato.

Microsoft was evidently impressed by the services provided by its German business partner: “We are thrilled about the ‘Courseware Marketplace’ that Arvato has developed,” says Lutz Ziob, General Manager of Microsoft Learning, who
Arvato’s “Skillpipe” app is a kind of digital bookshelf for Microsoft Courseware products
“A TASK THAT WOULD HAVE EXCEEDED THE CAPACITIES OF MOST COMPANIES, BUT WHICH WE WERE IDEALLY PREPARED TO TAKE ON, WITH OUR BROAD AND INTERNATIONAL SERVICE PORTFOLIO.”

Ulrich Schröder
praises the “learning experience” for users of the platform, in particular, which makes it possible to constantly update the content. Concentrating on a single global market place allows Microsoft to respond more flexibly to customer demand for more innovative learning models.

“With this new all-encompassing business model, Arvato has made a significant contribution towards digitization in the educational sector – to date there is nothing like it anywhere in the world,” says Ulrich Schröder, emphasizing the opportunities that this opens up for other customers, too. “There is huge demand for business models like ours,” Schröder says optimistically. “Although there are a lot of vendors of individual solutions on the market, there are very few who can provide the entire value chain – and can do so worldwide. That makes Arvato unique in the marketplace.”
How the digital revolution turned into evolution for television
How the digital revolution turned into evolution for television

W9

Founded in 2005, the digital channel W9 has already arrived among established TV channels.
W9 is on an up – and its rise is steep and fast. This becomes abundantly clear when you step into the elevator of M6’s modern office building in the Paris suburb of Neuilly-sur-Seine. First of all, the W9 offices are very near the top – on the seventh floor of the eight-storey building. The top storey houses the executive floor of the M6 flagship. And secondly, a screen at eye level on the back wall of the elevator shows yesterday’s channel market shares, with W9 consistently showing audience ratings of four or more percent in its young target demographic. This makes it the No.1 digital channel in France. What’s more, the small channel founded just seven years ago has arrived among the big, established players. The main reason is a virtuoso performance by the 15-member team headed by W9 Managing Director Frédéric de Vincelles in dealing with the possibilities of the transformation to digital, and that “no one here fears digital evolution.” De Vincelles deliberately talks of evolution rather than revolution, a term often used to describe the transformation to digital. As he notes: “We have learned to control the transformation to digital and use it for our purposes.” In this installment of BENET’s Digital Transformation@Bertelsmann series, he explains how.

The W9 team only recently moved in under the same roof as their co-workers at the “big sister” channel M6 on Avenue Charles de Gaulle, which extends the world-famous Champs Elysées beyond the Arc de Triomphe through to the post-modern La Défense district. Neuilly, just a stone’s throw from the city center, is home to well-heeled citizens, including entrepreneurs and managers, as well as movie and TV celebrities. The fact that W9 will from now on work here right next door to M6 makes the already close cooperation between the two channels even easier – in designing the program lineup within the growing family of channels, but also and especially in matters of digitization. And the smaller of the two is often quite consciously the faster one – the one that is allowed to experiment and try out new approaches.

There is a reason for this. “In the past few years we’ve earned a reputation for being modern, innovative and young,” says de Vincelles. “And we do everything we can to maintain this image of the W9 brand, because our audience consists of viewers aged under 50, especially the housewives in this age group, who are crucial for the advertising industry in France.” W9 has increased its market share in its target group year after year, most recently to about four percent. Among very young viewers aged 15 to 35, W9 is even ahead of the public-service broadcasters. “We are the channel for digital natives,” says de Vincelles. And although W9 is exclusively digitally broadcast and
How the digital revolution turned into evolution for television

Frédéric de Vincelles, Directeur Général Adjoint, W9
“IN 2012, SIX NEW DIGITAL CHANNELS WILL GO ON AIR IN FRANCE, AND THEY WILL WANT TO SECURE THEIR SLICE OF AN ADVERTISING PIE THAT ISN’T GROWING.”

Frédéric de Vincelles
received, he sees no essential difference to traditional analogue television, apart from all of the technical possibilities of course. He is convinced that in the end what matters is the right program lineup and a strong brand.

“When in March 2005, like other French broadcasting groups we were given the opportunity and license to establish digital terrestrial channels, M6 naturally had to get involved,” says de Vincelles, recalling the birth of W9. Not knowing whether the transformation to digital would really turn the TV world on its head, M6 turned its own logo upside down just in case – and the channel’s name W9 was found. It initially took over the role of the music channel M6 Music, founded in 1998. And W9 visibly – or rather audibly – maintains the tradition to this day: “We are committed to filling half of our program lineup with music programs,” says de Vincelles. But he has long since turned what at first seemed like a corset into an advantage: “Music is young – and so it fits our image very well. Moreover, the audience sees fresh clips and songs every week, so that half of our programming almost automatically renews itself constantly.”

There is no end in sight to this expansion

The other half, however, is subject to intensive adjustments and fine-tuning, because from its launch W9 was determined to become no less than the No.1 most-watched generalist channel in the French digital TV world – a world that is actually more influenced by special-interest offerings for specific target groups. As a result, today W9 broadcasts magazine shows, movies, sports, series and entertainment shows in its full-scale programming, but also and especially highly successful reality formats. “At the beginning we didn’t know how digital channels would develop, whether the boxes needed to receive them would sell or a critical mass of distribution would be achieved,” says de Vincelles, who has been on board since October 2006. “It was an experiment – for us and for our competitors.” But the decoders, now long since integrated into all modern TV sets, sold in large quantities, matching the fast and massive spread of free-to-air digital TV channels.

And there is no end in sight to this expansion. On the contrary: “In 2012, six new digital channels will go on air in France,” says de Vincelles. “That will bring the total to 24 free-to-air channels, four times as many as seven years ago.” Even more competition is likely to emerge when the successful pay-TV channel Canal Plus goes down the free-to-air path with Direct 8. “With Canal Plus backing it, this
“WE HAVE LEARNED TO CONTROL THE TRANSFORMATION TO DIGITAL AND USE IT FOR OUR PURPOSES.”

Frédéric de Vincelles
digital channel alone has the potential for a significant market share,” predicts the television manager, plus those of the other new channels. And these collective market shares would clearly be lost from the established channels’ market share because “the total advertising market is not growing.” So it can only be a matter of cutting as big a slice as possible from the existing pie in future. This applies to France just as much as to other countries. RTL Group is strategically responding to this challenge with the development and expansion of families of channels everywhere.

The M6 family will get a new member with the channel 6ter, which will also be broadcast only digitally in HD and is conceived as a family channel for all generations, primarily focusing on documentary formats. There should and must not be any overlap with W9, which is most unlikely in any case due to their completely different target audiences. “We will coordinate the programs of all three channels very precisely so that they complement, but do not compete with each other,” emphasizes de Vincelles.

Additional revenue sources

The transformation to digital is not only bringing far-reaching changes to the television landscape through more and more new channels; far more than that, it also offers mainstream TV companies new, though often also advertising-based, additional revenue sources. For Frédéric de Vincelles and his W9 channel there are basically five revenue sources: the channel’s website, the on-demand service W9 Replay, applications for smartphones and tablets, the social web, and finally the “second screen.”

De Vincelles rates the W9 website as the relatively least important of these factors. “We use the site as our own TV magazine with lots of information about the program lineup, our formats and audition dates.” He regards a service that can be accessed via this website among other paths, as far more important: the on-demand site W9 Replay. It’s doing so well that at times some shows now have more viewers online than on traditional, or more precisely, digital TV: “A daily show like ‘Les Ch’tis à Ibiza’ is essentially predestined for video-on-demand,” says de Vincelles. “Not every viewer has time to watch it episode after episode each day – and so it is an important service to offer people the opportunity to watch it online whenever and wherever they want.”
Net gain: Daily soaps are practically predestined for the flexibility of video on demand
SHALL WE DANCE: WHILE THE SHOW “LA MEILLEURE DANSE” OCCUPIES CENTER STAGE ON THE ‘BIG’ SCREEN, MATCHING DANCE LESSONS ARE SHOWN ON THE SECOND SCREEN. STEP BY STEP.
How the digital revolution turned into evolution for television
Ideally, W9 would like to make its entire program lineup available for video-on-demand, but is often thwarted by the legal restrictions set by the producers. “We no longer fear the migration of our viewers to the Internet,” says de Vincelles. “We want the audience to play with the channel and its replay offer, to use them both just as they like – as long as they stay in the world of W9.” For this reason, and because the audience knows what it can expect from the W9 brand, the manager is somewhat skeptical about disseminating the channel’s content on YouTube and similar sites, as this would dilute the W9 brand and its value proposition to the predominantly young audience.

The youngest channel in Groupe M6 was also the first one to “spread its wings”: Thanks to apps and smartphones, W9 went mobile early on. This is now paying dividends in the form of nearly two million downloads of the W9 App to date. The app is very innovative and interactive, and is designed to further the same goal as the fourth factor mentioned earlier – the social web: “The important thing is to tie our viewers to the W9 brand – whatever the channel of delivery.” W9 was the first channel in France to have its own page on Facebook. The company now has more than 420,000 fans here. “We use Facebook for direct communication with the audience,” says de Vincelles. It ties them into the program, we gather their opinions and benefit from the exchange between the viewers themselves. Ultimately, a W9 community is created. And de Vincelles says this is far more valuable than the traffic that might drift from the channel’s own website into the social networks. “Real interaction is more important than just promoting yourself on your own website,” says the TV executive.

Exchange and integration is also at the heart of opening up the “second screen” – e.g. the second screen on a smartphone or tablet, which more and more young viewers are using simultaneously with TV screens. For de Vincelles it is clear that W9 must keep the audience within its own portfolio on the second screen as well. So the portfolio is now being expanded. For example, in a reality show a crew sails from one island to another. Anyone using the W9 app at this moment will find the sailing trip described there – and possibly a few tour operators with a matching cruise as well. Or, during the dance show “La meilleure danse” a particular dance will be featured – and on the tablet there is a matching interactive dance lesson for viewers. “We therefore produce content for the second screen that never finds its way onto television,” continues de Vincelles. Sometimes he says it is done just to offer the audience a little extra, sometimes it directly generates revenues through tie-ins with
partners such as travel agencies. But the basic principle remains the same: “We have recognized the new possibilities in television and we have learned to take advantage of them.” And this specifically means, “We must do everything we can to give the audience a new TV experience on all channels and convince them of the unchanged appeal of the W9 brand and its content.” Because then, he says, advertisers will also be persuaded of this appeal. And he leaves no doubt that this, and only this, will ensure the lion’s share of all revenues in the digital TV world.

The W9 app provides additional content tying in to the TV program
The wow factor
How the British publishing group creates extraordinary reading experiences with book apps
The wow factor

THE WOW FACTOR
How the British publishing group creates extraordinary reading experiences with book apps

Random House Group
London

At The Random House Group in London, digital publishing has long since become part of the daily routine.
In jeans and a casual plaid shirt, sporting long hair and a beard, Dan Franklin would not look out of place at the headquarters of Google, Apple or Facebook. But the likeable 30-year-old is a publisher at Random House Group, or more precisely “Digital Publisher,” as it says on his business card. And if you want to know how far the British book industry and Random House have already progressed in the transformation to digital of the publishing business, or the way it is trending, Dan Franklin is the man to ask. In our “Transformation to Digital @ Bertelsmann” series, BENET is using select examples of best practice to explore how Bertelsmann’s companies and divisions are handling the opportunities and challenges of the digital world. In addition to consolidation, the development of growth platforms and expansion into growth regions, the transformation to digital is one of the four strategic priorities for Bertelsmann in the coming years. BENET visited Dan Franklin and his colleague Sophie Holmes, digital publishing manager at Transworld Publishers, at the British publishing group’s headquarters in London’s Vauxhall Bridge Road.

Dan Franklin feels his job title of “digital publisher” works for now as he works with the editorial teams on digital experimentation, but will undoubtedly change at some point: “Digital publishing is now simply publishing; it isn’t something that should be separated from the rest of the publishing business, but has long since become an integral part of our daily work,” he says. Franklin is part of a small team led by Hannah Telfer, Director, Digital Marketing & New Product Development, which is driving the publishing group’s transformation to digital. The fact that the digital business has now evolved beyond its initial exotic status can be seen by a glance at the figures: “2011, about 11 percent of Random House Group’s sales were digital; by the end of 2012 the figure will be much higher,” says Franklin, adding that this makes Great Britain the world’s second largest e-book market after North America. For some individual titles, especially less elaborately produced black-and-white books without pictures or illustrations, digital sales can account for up to 50 percent of total sales: even more on some titles.

The Random House Group has taken a leading role in this promising business: its e-book catalog now comprises 11,000 titles, or about 70 percent of the entire catalog and attaining backlist digital rights has been a priority. Every new book release is now also available as an e-book. Just how serious the British publishing group is about the transformation to digital is well shown by noting that more
How the British publishing group creates extraordinary reading experiences with book apps

Dan Franklin, Digital Publisher at The Random House Group UK
Between April and June 2012, the Random House’s English-language imprints sold more than 30 million books and e-books in the "Fifty Shades" trilogy by E L James.
than 500 employees in the publishing businesses were generously given iPads for Christmas in 2011 to help them creatively explore the digital universe; building their skills to drive innovation in the business.

The British publishing group’s marketing has already arrived in the digital world. Facebook, newsletters, Twitter, blogs, fan sites – the new platforms are used extensively for marketing purposes. The publishers maintain Web sites and Facebook accounts for individual new releases. Editors tweet about new projects and their work with authors. Members of the marketing team systematically target individual groups of readers on fan sites. And the new technologies allow new forms of direct reader response, for example, using “augmented reality.” In a similar way to QR codes, readers photograph book covers in the bookstore with their cell phone, which then brings their cell phone screen “to life”: animations can be seen and the authors themselves talk about their new books. In her daily work Sophie Holmes has found that her authors are very excited about these new ways to reach potential readers. British Random House staffers repeatedly benefit from the experience of their colleagues at the Random House imprints in the U.S., the world’s biggest and most advanced e-book market in the world, with whom they cultivate close ties.

Creative marketing and PR power

Dan Franklin uses the example of a mega-bestseller, the “Fifty Shades” trilogy by E L James, to explain how traditional and digital publishing are now interlinked. The British writer’s three novels were originally published in e-book by a tiny Australian publisher. They then became an underground bestseller by word-of-mouth. The story might have ended there if Random House had not become aware of the phenomenon and secured the print and digital rights for their English-, German-, and Spanish-language territories. The publisher took over the printing, distribution, marketing and publicity for the three titles – resulting in astonishing success. From the first day of sales in early April to June 2012, the English-language Random House publishers alone sold more than 30 million books and e-books in the trilogy. For Franklin this example clearly demonstrates the limitations of self-publishing. “There have been self-published bestsellers before and there will be again, but creating a globally successful multi-million-copy cultural phenomenon like ‘Fifty Shades’ or the ‘Millennium Trilogy’ by Stieg Larsson requires the professional
support and the deep-rooted distribution reach and creative marketing and publicity power of a large publishing house.”

To Dan Franklin and Sophie Holmes it is equally clear, however, that publishers have to prove to their authors anew each day that they really can offer them these advantages. “More than ever our work hinges on the relationship among authors, publishers and editors, which must be based on professionalism, trust and loyalty,” says Franklin. On the publisher’s side this also includes transparency about what services it will provide for authors. To ensure precisely this transparency, Random House in the U.S. launched its author’s portal, which provides authors with constantly updated information about sales figures for their books and related revenue streams. Author response to this new offering has been very positive, and The Random House Group provides a similar offering as part of a wider package of ‘author care’ services, which also includes the launch of an industry-leading new royalties-system project.

Franklin doesn’t share the belief of some pessimists who feel that the transformation to digital will eventually destroy the publishing world, as it is perceived to have negatively impacted the recorded music industry. On the contrary, he says the publishing industry now has the opportunity – provided they seize it – to transcend and expand the traditions and economics of the printed book. In one fell swoop, he says, digitization has given publishers entirely new options regarding the length, price, interactivity and immediacy and topicality of books. For instance, Franklin says Random House Group has successfully begun to publish short e-books with a maximum length of 15,000 words on current topics that are offered for 99 pence, which, with their flexible digital-production deadline relative to print books, some authors literally work on until the day they are published.

**New forms of storytelling and writing**

Nonfiction apps that are repeatedly updated could also offer continuing topicality to readers in future. And Franklin sees new forms of storytelling and writing on the horizon – stories that are told online and continue to develop, with lots of overlap with other digital media such as movies, games or television. “Overall, in the future we will certainly think less in terms of books as a self-contained medium, and much more broadly in terms of stories, ideas and the creative force behind
them – and we will offer these in the widest variety of ways. In the long term we will evolve from being a pure, literal book publisher into a content publisher,” he says.

One trait that must set both the printed and the digital publication apart is the quality of the product. To ensure that the quality of each e-book corresponds to that of the print edition, the British publishing group has its own team that manages the error-free e-book implementation of each title. For Franklin and Holmes this is not a luxury but an essential prerequisite for success. “More than ever, quality is a central factor in the success of our work,” they both agree, because it is also one of the most important prerequisites for extending success into the digital domain. “In the digital world brands are of immense importance and publishers need to be perceived, much more so than before, as strong brands that readers can trust.”

**Optimizing search engine results for one’s own products**

However, new technologies and sales channels not only offer new possibilities for book publishing, they also increase the breadth of knowledge a publishing house needs. And they increase the pressure, on editors in particular, to keep pace with new developments and gain command of them. “For example, we need a lot more market research nowadays. We need to be able to analyze who bought what and why,” says Franklin. Only then can the publishers really take advantage of the opportunities that the unprecedented targeting of specific demographics now offers them.

It’s clear to Franklin that the publishing group should also involve experts from other media sectors, including music, film and television, to see how things are developing in those segments and what Random House Group can learn from it. He says publishers now also need search engine optimization (SEO) specialists who can improve the rankings of their own products on Google and other search engines. A few years ago, Franklin probably would have been laughed at – or worse – for saying this. “Our editors, too, need to know their way around the digital world. They don’t need to be able to write programs, but they do need to know what is possible – in the same way that they are able to explain the subtleties and possibilities of the printed book to authors.” After all, he adds, it is their job to introduce their authors to all the options for publication and advise them. Indeed The Random House Group has been rolling out a comprehensive learning and development program to staff across publicity, marketing and editorial to learn
“IN THE DIGITAL WORLD BRANDS ARE OF IMMENSE IMPORTANCE AND PUBLISHERS NEED TO BE PERCEIVED, MUCH MORE SO THAN BEFORE, AS STRONG BRANDS THAT READERS CAN TRUST.”

Dan Franklin
how the british publishing group creates extraordinary reading experiences with book apps

sophie holmes, digital publishing manager at transworld publishers, and dan franklin
about how they can improve search engine optimization or book metadata to help potential readers discover books online.

One of the options open to authors and publishers today is to publish a book as an app, especially for the Apple iPad. While a regular e-book, the “bread-and-butter business” of the digital book world, is a one-to-one transfer of the printed book for e-readers and tablets, book apps are digital versions of the printed work enhanced with additional multimedia features, and are sold directly through Apple’s App Store. They are labor-intensive and expensive to produce. Random House Group has released about 25 such book-apps to date, and the number is on the rise. “There is now a market for high-priced iPad apps,” Franklin and Holmes note. The publishing group’s most successful app was the cookbook app “Nigella’s Quick Collection” by British celebrity chef Nigella Lawson published in early 2010, which has already sold around 100,000 copies.

The special reading experience

In developing book apps, quality is one major factor. The other is the reading experience. “The idea is to give the reader the special reading experience offered by a printed book, without being distracted by too many gadgets or gimmicks,” says Holmes. “But where we do use the multimedia capabilities of the iPad, the reader must be amazed. This is where the famous ‘wow factor’ needs to come in.” For Franklin the Nigella app succeeds in doing precisely this. “With innovative features such as voice control and contact free page turning this app definitely has the ‘wow factor’ – and it can actually be used by people while they are shopping and cooking, so it makes people’s lives easier,” says Franklin.

The latest example of an app with the “wow factor” is the award-winning nonfiction app “The Magic of Reality” by Richard Dawkins, with illustrations by Dave McKean. Transworld Publishers published the app in September 2011 and until May 2012 the application, which costs £10, has been downloaded around 25,000 times. The book edition, published simultaneously, has a recommended retail price of £20 and, in the same period of time, has sold 70,000 copies in the UK alone. As with Nigella Lawson, for this app the publishing group once again relied on the pulling power of well-known names and strong brands – both the author and illustrator are well-known and successful in the English-speaking world. “Big names, big themes, a broad audience – ‘The Magic of Reality’ has all it takes to become a successful app,”
App with “wow” factor: the app for “The Magic of Reality” by Richard Dawkins had excellent sales and won the “Publishing Innovation Award”
says Holmes, who was responsible for developing the app at Transworld. It is also the first time that the bestselling nonfiction author Dawkins has published a book aimed at teens and their parents alike. “In both book and app form Dave McKean’s illustrations are incredibly vibrant, practically leaping off the page,” says Holmes.

In “The Magic of Reality” Dawkins explains science in a clear and original way. At the beginning of each of the 12 chapters is a simple question such as “Why is there day and night?” or “Who was the first person?” Dawkins then first describes the myths and legends that people have devised over the course of history to answer these questions before he finally explains the scientific answers. In order not to interrupt this interwoven train of thought, the publisher developed a new type of navigation system, wherein the individual pages and illustrations pass before the user like a long ribbon. “A year ago this was completely unprecedented, but now other apps are using this type of navigation, too,” says Holmes.

**A whole new kind of navigation**

A video with Dawkins was filmed for the app’s starting page, and the author also narrated the entire work. “Richard Dawkins is a techie and loved the idea from the start. He was involved at every stage of the project and since then has presented the app at each of his readings and promotes it worldwide,” says Holmes. The app was then enhanced with extras such as interactive science experiments in individual chapters, in which you can try out well-known thought experiments by famous scientists, such as “Newton’s Cannon,” which the author used to illustrate the force of gravity and the mechanics of celestial bodies.

Its success speaks for itself: The “Magic of Reality” app was very well received by reviewers and readers alike, and has won two awards, most recently the prestigious “Publishing Innovation Award” honoring excellence in e-book innovation. And even booksellers, who were initially rather reserved about the digital competition, are now enthusiastic about the app. “The retailers have seen that the app’s success in no way comes at the expense of the printed book and hence of their sales, but actually creates additional demand for the book,” says Holmes. The app has also paid off for the author and publisher. “Both make good money from the app – not less than from the book, in fact.” Besides, the value of such a successful project for a publisher’s reputation cannot be overstated.
Dan Franklin and Sophie Holmes both know that the financial risks of a book app are, of course, considerably higher than for an e-book. Nevertheless, they are both sure that this market will continue to grow and become more important. Franklin sees great potential in children’s book apps in particular – “by now, they’ve become accustomed to dealing with screens and handheld devices from an early age” – as well as in also personal-development apps such as language apps, and in the publishing group’s entire backlist. “There are so many treasures among the classics in our catalog that would be suitable for an app version,” says Franklin, who cites the novel “Clockwork Orange” by Anthony Burgess, which was made into a movie by Stanley Kubrick, as one such classic that would lend itself to being made into an app.

Besides the careful selection of appropriate content, good marketing is crucial to the success of a book app. “There should be no barriers between print and online,” says Holmes. “You advertise the app in the book and vice versa. Marketing in the real and digital world has to work hand in hand and follow a coherent overall concept.” And the experience of the Random House experts has shown that there is another important factor in the success of a book app for the iPad: “It’s essential to have a well-designed app icon, as this icon is the first thing users of the app will see,” says Franklin.

Random House Group apps like “Nigella’s Quick Collection” and “The Magic of Reality” are now considered benchmarks in the British book industry, models for a successful book app. “While this makes us very proud, at the same time it raises the bar,” says Holmes. And yet, the chances of their next app project also being a success are not bad – she is working on an app for Terry Pratchett’s legendary “Discworld” universe. And there it is again: a strong brand, combined with the “wow factor.”
TARGETED MARKETING
How ads are most effectively served on the Internet
TARGETED MARKETING

How ads are most effectively served on the Internet

Ligatus Cologne

The G+J subsidiary Ligatus’s premium performance network gives advertisers top response rates.
The Internet has now become established among nearly all consumers as an everyday medium alongside television, radio, newspapers and magazines. This also makes it a natural part of the media mix for advertisers. The range of online advertising formats and possible campaign focuses now available is so multifaceted that they can be chosen to match a company’s respective marketing and sales concepts and used as part of its communications plan. In addition to image-oriented campaigns to build and develop brands, sales-boosting online campaigns have been enjoying increasing popularity for several years. A typical example of this is the small advertising boxes at the end of an article or next to an article on sites like stern.de and n-tv.de. In addition to a small motif these “smart boxes” mainly contain a few lines of information. Because this form of advertisement is very efficient, it is accordingly in demand from advertisers such as Lufthansa, McDonald’s, American Express and Intel, as Klaus Ludemann, Managing Director of the online marketing company Ligatus, explains. Ligatus was founded in 2003 under the umbrella of the online financial portal OnVista and was spun off as a separate company in 2005. Gruner + Jahr acquired it in 2008 to further diversify the digital marketing activities of G+J EMS. The ads in smart boxes represent marketing that is placed using highly sophisticated methods – also known as performance marketing – and this is the specialty of Ligatus, a leading European performance network based in Cologne. In conversation with BENET as part of the “Transformation to Digital@Bertelsmann” series, representatives of the Ligatus team explained exactly what this means, why the product portfolio marketed by the G+J company is so successful, and how Ligatus plans to further develop its business in Europe and beyond – including for mobile devices.

Success-based billing model

The view from the Ligatus conference room on the top floor of an office building on Hohenstaufenring in downtown Cologne is impressive. About two kilometers to the east as the crow flies you can see Cologne Cathedral. To the south you can make out the first buildings of the University of Cologne. Ligatus’s own development from start-up to pan-European company is similarly impressive. Ligatus has had its headquarters on the eleventh and twelfth floor of this office complex since 2011 – and it plans to rent additional space soon. “Our team has grown significantly in recent years due to growing demand for performance marketing, the acquisition by
Klaus Ludemann, Managing Director of the G+J company Ligatus
“WE FOCUS ON ACHIEVING MEASURABLE USER RESPONSES, SUCH AS THE SALE OF PRODUCTS.”

Klaus Ludemann
G+J, and our subsequent internationalization – and we will continue to grow in the foreseeable future,” says Klaus Ludemann. The 43-year-old took over the management of Ligatus in 2008 after having spent six years supervising the coordination of digital media activities at the Italian communications company Tiscali. As part of his role there, he had also advanced the transformation of Tiscali’s business to digital. “But despite the growth we have succeeded in preserving our „Ligatus Spirit,”” continues Ludemann. This enthusiasm for the digital business is also evident among the other participants of the discussion around the table: Next to Ludemann sit Lars Hasselbach, his Co-Managing Director since the beginning of 2011, Oliver Hohmann, Chief Financial Officer (CFO), and Lincy Vellaramkalayil, Senior Manager International Business.

“As a premium performance network, we have focused on a specific section of the online advertising market in two respects,” says Ludemann, initiating the conversation. “On the one hand, we offer our customers not just ‘any old’ websites, but exclusively high-quality premium sites as potential advertising platforms. Secondly, our advertisers pay us only by performance, i.e. only when their ads are clicked on by Internet users, when users enter their address in a contact form via the ad, or purchase a product.”

750 premium partner portals

This performance-based billing is the main difference between traditional online advertising and the kind of performance marketing practiced by Ligatus. “Our business isn’t about building a brand or brand identity by creating awareness or likeability,” says Ludemann. “We focus on achieving measurable user responses, such as product sales.” So unlike with other marketers, the billing model is not based on cost per thousand (CPM), i.e. cost per view, but on actual clicks on the ad (cost per click) which then routes users to the client’s website. Another billing model (cost per lead) is based on the cost per user entering their address on a microsite operated by Ligatus. This option is typically used for performance campaigns for products that require a high level of consultation, such as insurance companies or investment funds. The third variant of performance campaigns is calculated by the number of contract signings that result from the ad (cost per order or cost per sale). “The advertiser knows exactly what they get for their money – they only pay
for what they have actually received: real interest, useful leads and actual orders,” says Hasselbach.

This obviously shifts the “risk” in the business relationship in Ligatus’s direction. “We have to do a lot to ensure that Internet users actually notice our adverts and respond to them,” says Ludemann. “But as it turns out we’ve managed to do so quite well in recent years.” The 100 Ligatus employees at the Cologne headquarters and its subsidiaries in seven other European countries can now draw on a network of 750 “premium partner portals” across a wide range of different businesses, on which they place their clients’ ads. “We use frequently visited, quality news sites, such as www.faz.net and www.spiegel.de in Germany, or special interest sites like www.auto.de and www.pc-welt.de,” says Ludemann. A multi-company approach is important to him: “Of course we work for Gruner + Jahr and are happy to do so – but overall only to a lesser extent. To be successful in the market we define ourselves as an independent network with a deliberately neutral brand name. And so we count many important publishing groups among our advertising partners and have been able to sign exclusive marketing agreements with leading publishers in countries like France and Austria.”

“Semi-blind network”

This wide market coverage pays off for advertisers: “They know that their ad will be seen on our prominent partner sites – and nowhere else,” says Hasselbach, alluding to some other networks who leave their clients in the dark about their portfolio and hence the quality of users and potential end customers reached. “We are a ‘semi-blind network,'” he says, introducing a technical term before going on to explain it: “The guarantee of high-quality placed advertising is the transparent side of our work, but we reserve the right to control how often and exactly where the ads are seen. That is the secret of our success, as it were, and remains intransparent.”

This secret is well kept in the IT department on the eleventh floor of the Cologne Ligatus headquarters, which is where our tour now takes us. This is where the developers have their workstations. “Every line of code of our proprietary ad-serving system comes from here. With over 20 software developers, quality assurance engineers and product managers, we continuously develop our existing products and regularly bring new developments to the market. Here special
attention is given to our algorithms, which are a closely guarded secret,” says Ludemann, who prefers not to reveal a lot of details: “The system plans for serving ads where they are best received — both in terms of the type of web page and their location on these pages. These decisions are based, among other things, on past experience with similar displays and on tests that we continually perform.” The optimization algorithms were developed in collaboration with the renowned Fraunhofer Institute.

16 billion ad impressions

To achieve optimal results for advertisers — and thus for Ligatus — the G+J subsidiary also invests a lot of manpower in other areas. “We grapple with our customers’ wishes in detail, create the ads ourselves and match their design and content to the individual pages on which they are to be seen,” says Hasselbach as he continues the tour through the adjacent offices, where colleagues from the Sales, Publisher Management and Campaign Management departments sit. “We even align the font of the ads to those on the page so that they fit harmoniously into the editorial environment. For the same reason, branding elements such as logos are used sparingly.” How users respond to the ads is also closely monitored, and if necessary some fine-tuning is done, e.g. by changing a picture element or choosing a different placement. Targeted regional distribution based to the location of the Internet user is also an option. These efforts pay off: Hasselbach says the probability of clicks leading to a business success — a purchase or an order — are well above that of comparable ads from competitors who do not optimize them as much. “The click rate, which is generally much higher than what the competition delivers, not only pleases advertisers, but also the operators of the online sites, who benefit from the good monetization by sharing in the revenue.”

The figures Ludemann cites show how many ads this business comprises: “In Germany alone Ligatus serves around seven billion ad impressions a month for several hundred client campaigns on our 280 premium partner portals. Across Europe, we’re talking about more than 16 billion ad impressions. “But the figures also show that after years of growth the German market is saturated in the field of classical cost per click ads. “We have therefore focused our strategy in two directions. Firstly towards internationalization and secondly towards diversifying our services,” explains Ludemann. Ligatus began the internationalization of its
“WE HAVE FOCUSED OUR STRATEGY IN TWO DIRECTIONS. FIRSTLY TOWARDS INTERNATIONALIZATION AND SECONDLY TOWARDS DIVERSIFYING OUR SERVICES.”

Klaus Ludemann
business back in 2009, when the G+J company established branches in France, Austria and the Netherlands, followed by one in Spain a year later, and branches in Belgium and Sweden in 2011. At the beginning of 2012, Ligatus also expanded its activities into the Italian market. “We place a premium on personal contact between our staff and our advertisers and partners, so that we can offer each party a solution individually tailored to their needs,” emphasizes Ligatus Group CFO Oliver Hohmann. He points out that many global marketers do not provide this service. When he was Head of International Business, Hohmann played a major role in the internationalization of Ligatus. “We were very successful with our team-oriented multi-stage approach to internationalization. In each country, we began by employing a Country Manager with great professional experience and an extensive network in the industry. This manager then autonomously put together their own team to develop the business in the respective market with the support of central administrative functions.” As the company grew its European footprint, the country branches were grouped into regions. Lars Hasselbach is responsible for the locations in Germany and Austria, Julien Mosse for Southern Europe, and Michel Hoekstra for the Netherlands and Sweden. “In addition to their local activities, they all maintain close contact with headquarters in Cologne. Training programs as well as regular management conference calls, team meetings and site visits help ensure an intensive exchange of experience and maintain personal relationships,” adds Lincy Vellaramkalayil, who coordinates many of these activities and is also responsible for the organic development of additional markets.

**Successful internationalization**

“Basically, we can launch all of our performance products in any market, anywhere in the world, but we must closely review the market conditions that we find in each one,” explains Hohmann. For example, certain cost-per-lead forms of advertising such as the popular “pop-under” in Germany, an ad window that is only visible once the user closes the browser window, are not accepted in other countries. Accordingly, it is necessary to adopt local market practices and to act as a local player. “Above all, the key to success is to know what we are letting ourselves in for,” adds Vellaramkalayil. “We carry out extensive market research on the number and nature of competitors, wage and price levels, and the potential reach of our products. We also contact premium websites and advertising agencies, conduct
Thanks to this thorough planning, the internationalization of Ligatus’s businesses has been very successful—today, more than half of its revenues are generated outside its German home market. “Our workforce has quadrupled since 2008, and our revenues have also risen sharply—which just goes to show how beautifully scalable this business is,” says Hohmann. As a next step Ligatus is now testing entry into the Turkish market, among other things. Even non-European countries such as India and Brazil are on the list, but Hohmann says that the greater cultural, legal and technical hurdles to be overcome are greater there. “The fact alone that we can service all of our country branches on the continent in Europe with our 130-server data center in Karlsruhe is a huge advantage,” says Hohmann. “In India and Brazil, we would have to build a new center—data transfer from Europe usually takes too long. No user waits five seconds after clicking for a window to pop up.”

**Diversification of products**

So before taking a step into the aforementioned countries or even into South Africa, the U.S. or Asia, the focus is now on expanding existing businesses or developing new ones in the European countries. Ludemann says that at present this doesn’t include the British market. “We’ve checked the figures twice and it’s just not worth it for us.” He says on the one hand the online advertising market in the U.K. is dominated by Google and on the other, more than 50 percent of users of premium websites are often not from the UK, but from the United States, Commonwealth and other English-speaking countries. Moreover, much of the potential premium reach is focused on the online portals of major newspapers, which users often have to pay for first (“pay walls”), so they accept less advertising. Secondly, there are comment boxes at the end of the articles, so Ligatus ads would be banished to the bottom of the page where the click-through rates are very low. “With a relatively lower revenue potential and Britain’s very high level of costs, the risk of failure for us is just too high at this point,” says Ludemann.

The second strategic direction is to diversify the products, i.e. introduce new services. Here, too, Ligatus has already taken major steps. For instance, the
Targeted marketing

advertising specialist Adyard, acquired by Ligatus in 2010 and fully integrated since, uses “postview” technology, which helps to monetize the deferred/long-term success of ads, including branded ones. The keywords are “cost per order” and “cost per sale.” “Imagine you are visiting the www.stern.de website and you see a banner ad for car rentals,” says Ludemann. “Days later, you remember the favorable offer and want to book it. You look for it but no longer on stern.de, of course, but on the company’s website. A cookie stored earlier ‘notices’ that you became aware of the website via an ad on stern.de – and we get a commission after the booking. This offer is developing magnificently,” says Ludemann.

Another example is “retargeting,” a form of marketing that Hasselbach says is especially used by retail and telecommunications companies. “If you go to a shoe retailer’s website, look at shoes but don’t order any, you can be tagged by the site. If you then visit a website in our network at some point, which was booked by us for this campaign, one of the shoe retailer’s offers you looked at is ‘played out’ to you, as we say. If you still don’t order anything, you may receive a discount for this offer the next time you visit a site connected to the campaign. Another time you will see an alternative offer.” The ad strategy, for example the amount of time during which the ad is played, or the precision of the offer’s targeting – is chosen individually. “Our experience shows that with this type of advertising the probability of an actual purchase is very high,” says Hasselbach.

Ligatus has designed a suitable advertising tool for small and medium-sized companies as well as for big companies. “These companies wanted a tool that would let them independently operate and manage their performance campaigns in just a few steps – we call it ‘Direct Ads,’” says the manager, describing another promising Ligatus product that is now also used in Austria, France and Holland after having been successfully established in Germany. The online self-booking tool is based on the cost-per-click billing model and besides an intuitive user interface also has its own reporting tool and an automatic billing interface.

Mobile advertising market a “must have”

The team is sure that Ligatus’s next big step will be into the mobile world. “With the rapid emergence of smartphones and tablets, mobile Internet use has increased significantly,” says Ludemann. “And more and more advertising budget is following the users onto the mobile channel. Although the mobile advertising mar-
ket in Germany currently accounts for no more than four percent, this does show the growth potential that is still possible. The plan is to use and further develop the existing platforms. “There are more than enough requests along these lines from our existing advertisers and partner websites,” says Hasselbach, and concludes that the Ligatus success story can then be continued in the mobile world.

“THE KEY TO SUCCESS IS TO KNOW WHAT WE ARE LETTING OURSELVES IN FOR”

Lincy Vellaramkalayil
How digital products are revolutionizing customer relationships
How digital products are revolutionizing customer relationships

Arvato Corporate Information Management (CIM)  Harsewinkel

Arvato’s digital solutions are an ideal complement to the existing world of physical products.
In the beginning there was printing. Even decades ago, each new car – like each new electric shaver or TV set – came with a (usually thin) printed manual for the buyer, while more or less concise repair instructions were distributed to mechanics’ workshops by the manufacturer – incidentally, Arvato has distributed these, along with marketing materials, for Volkswagen in Germany since 1968. But a lot has happened over the years. Nowadays we have individualized logbook apps; professional electronic repair shop information systems; multifaceted marketing activities including prize-draw SMS texts. The relationship between car manufacturers, dealers and buyers has become more complex and more digital – gradually at first, then accelerating faster and faster. These days digital products for customer service and customer loyalty ideally complement the world of physical products, creating entirely new possibilities in the process – and Arvato’s Corporate Information Management (CIM) has long since become established as a major European player in this segment. As Boris Scholz, President CIM at Arvato, tells us in the BENET “Digital Transformation @ Bertelsmann” series, the number, variety and importance of digital solutions are growing rapidly – along with the challenges of staying at the forefront of the competition.

An ideal partner for companies

The contrast is striking. On the upper floor of a modern industrial building at the Arvato site in Harsewinkel near Gütersloh, glass windows provide a clear view over the warehouse, where long rows of shelves are filled with large and small boxes. On this side of the window, under the same roof, are open-plan offices and conference rooms furnished in neutral colors, where casually dressed people sit in front of their computers, talking on the phone. The content being dealt with is the same on both sides of the window: logbooks for cars, information for repair shops, other documentation, and scads of marketing materials, mainly for the automotive and finance industries. On one side of the windows, print; on the other side, digital. “We supply our customers’ sales networks in 150 countries from here,” says Boris Scholz, 41, indicating the offices and warehouse. “But pure physical logistics is becoming less and less important. We increasingly make our information available either digitally, or produce or order it only when a customer requests it – and then deliver it as quickly as possible.”
How digital products are revolutionizing customer relationships

Boris Scholz, President CIM at Arvato
The CIM business revolves around creating, producing, purchasing, as well as the management, publication and distribution of content and products in the areas of customer information, services, marketing and retention. It also includes a lot of other related services in collaboration with other Arvato units. “As is the norm at Arvato, we are a full-service provider with a comprehensive value chain, which makes us the ideal partner for companies who no longer want to manage the increasingly complex services in these areas and therefore outsource them,” says Scholz. Companies like the Volkswagen Group and its various brands.

“We have worked with the car maker since the late 1960s. In the beginning, we merely prepared the data provided by VW, printed major quantities of all sorts of information material, and distributed it to dealers. Then, in the early 1990s, print-on-demand printing was added,” says the manager, who joined Arvato in 1999 after training as a shipping clerk and earning a degree in marketing and logistics, and in 2008 took over responsibility for the newly founded CIM business. “For us that was basically the beginning of the digital age – albeit in a completely different dimension from what it is today.” He says this development was accelerated among other things by manufacturers’ demands for “paperless repair shops,” and finally by a decision by the EU to extend the Block Exemption Regulation to repair shops. “This meant that independent repair shops – not only those with ties to the manufacturers – were now allowed to carry out repairs under warranty, and they wanted to get the documents needed for this from us,” says Scholz. As a result, Arvato CIM expanded its business model and began to supply independent repair shops with all the relevant service media from the VW Group and its brands through a unique digital distribution platform. “Today we serve 15,000 repair shops throughout Europe, and also handle accounts receivable management on behalf of our clients. In addition, there are also occasional cases of ‘hobby’ mechanics who carry out their own maintenance on their often older vehicles and need the relevant technical information,” says Scholz.

**Technical expertise and cultural skills**

In order to offer customers added value and leverage the option of digital data processing, the CIM experts also focus on content. “We have set up a central information platform as a basis for letting importers and dealers access service media and localizing it to their requirements,” says Scholz. On the one hand, this
allows for easy and trackable entering of any changes and updates ordered by the car manufacturer, including for all downstream/subsequent processes. On the other hand, it is possible to keep creating new applications based on the latest data. “For instance, for each person who buys a VW Phaeton, this lets us create a logbook precisely tailored to their car via print-on-demand,” says Scholz, giving one example. “Or future Porsche buyers will receive an app that they can use to familiarize themselves with the operation of their new car before actually driving it.”

The same applies to business customers. “We are able to structure and prepare the material as needed,” continues Scholz. For example, Volkswagen will double the size of its dealer network in China to about 2,500 repair shops in the next few years. But although VW has Arvato CIM as a partner at its side in China this year to competently train the dealers, there is still a need to adapt the media created in Germany to Chinese requirements. “So beyond our staff’s technical expertise, a certain cultural competence is also required to properly translate the requirements placed on us into action,” says the Arvato manager. The data, provided in the form of a user-friendly content management system, also lets repair shops select information based on the required activity: from the staggering 11,000 pages of technical documentation describing a modern VW Golf/Rabbit (in 1970 there were only 350 pages), garage staff can pick out the content they need – such as error descriptions, repair suggestions or circuit diagrams – to correctly perform the required repair.

Among the factors that have made Corporate Information Management such a success, and which according to Boris Scholz have been confirmed by a VW service executive, are the “media skills” of the 750 CIM colleagues around the world. “We aren’t just pure logistics and e-commerce vendors who deliver mass-produced goods. We start right at the beginning with business partners in the value chain and offer all downstream services right through to billing – sometimes in collaboration with sister companies at Arvato – without the customer having to worry about anything,” says Scholz. This specifically includes compiling all the information sent from VW’s research department, for example, followed by content abstraction and structuring, drafting and graphic processing, and translation of content into 40 languages, and finally central archiving on dedicated servers. Depending on what medium and purpose the information is destined for, the data – stored in XML code – can be read in packet or granular form and used digitally or for print purposes. “Intelligent, effective data management guarantees us rapid access to permanently updated content, and is another of our competitive advantages,” says Scholz.
“BEYOND OUR STAFF’S TECHNICAL EXPERTISE, A CERTAIN CULTURAL COMPETENCE IS ALSO REQUIRED TO PROPERLY TRANSLATE THE REQUIREMENTS PLACED ON US INTO ACTION.”

Boris Scholz
How digital products are revolutionizing customer relationships

From left: Holger Mebes, Bastian Oellers, Boris Scholz and Wilfried Grabau
The “exciting story” that Scholz and his colleagues can tell potential business partners when they first make contact arises from precisely such models. “A lot of people want to hear the story. They want to know how we can use the expertise we have developed over decades to significantly and comprehensively lighten their load in this increasingly complex environment and how this will enable them to save money – instead of them having to acquire knowledge and skills that aren’t really part of their business. They want to know how they can design B2B and B2C communications processes, which are increasingly merging into B2B2C.” He says CIM has to keep moving and changing, too: “With more and more products, countries, languages, and cultures, staying on the ball requires our total attention.” The fact that CIM has more than succeeded at this to date is evident from Volkswagen’s plans to advance the transformation to digital of its customer services in North and South America (from São Paulo,) and in South Africa (Port Elizabeth) with Arvato’s CIM from now on. In China, CIM already employs about 200 people at three locations.

Individually tailored to the buyer

CIM’s revenues from physical products such as printed brochures and logbooks are falling faster and faster – Scholz estimates that they are currently dwindling by about five percent per year. By contrast, sales of digital products are on a steady rise, also at currently around five percent per year. Altogether, the digital business now accounts for nearly a third of total revenues – and this share will continue to rise, says Scholz. “Digital formats are a more profitable business because of the higher margins, so we are delighted with the change now taking place,” says Scholz. But, as he points out, the “physical world” will continue to exist – the task now is to optimally link it to the “digital world.” “Our experience has shown that car buyers want to pick up and handle a car catalog, not just look at an app,” says the Arvato manager. “So we try to provide them with both, and leverage their emotions for a deliberate media break in the interests of our clients.” The fact that the catalog is individually tailored to the buyer and may perhaps contain a couple of QR codes linking to their favorite model shows the myriad ways in which the two worlds can be combined, says Scholz.
“DIGITAL FORMATS ARE A MORE PROFITABLE BUSINESS BECAUSE OF THE HIGHER MARGINS.”

Boris Scholz
“THE PACE AT WHICH THE DIGITAL BUSINESS IS DEVELOPING HAS PICKED UP DRAMATICALLY.”

Boris Scholz
How digital products are revolutionizing customer relationships
Arvato CIM has long since made a name for itself as an intelligent and reliable partner with other manufacturers and suppliers in the auto industry, too, and in other sectors of the economy. For instance, the Arvato subsidiary also delivers various services for banks and insurance companies as well as for companies in the healthcare sector. “We have plenty of ideas,” says Scholz and points to a couple of devices, in a locked office, which are to be used to test new electronic diagnostic equipment for another car manufacturer’s repair shops. And on his colleagues’ screens, a “Service TV” program can be seen, designed to inform and entertain drivers during their visit to a garage chain branch – its content is provided by CIM.

Proven patience and perseverance

Naturally, these extensive services require Corporate Information Management to recruit new, highly qualified professionals. “Being part of a group with Arvato and Bertelsmann earns us points in the recruitment market and lets us offer young professionals attractive prospects,” says Scholz, and stresses that competition for promising young talent will become even more difficult in future. Because of this, for many years now the company has partnered with the faculty of business computer science at the University of Münster to host case study seminars for students.

“The pace at which the digital business is developing has picked up dramatically,” says Scholz and recalls the first in-house discussions and ideas on the subject. “As early as 2000 we were considering using individualized and personalized product brochures as marketing tools. However, we were ahead of our time, because it was not until five years later that these and similar digital projects became a reality.” One reason for the years of delay was low bandwidth, but also the lack of availability of high-quality digital data. He says this did not allow for the electronic transmission of large volumes of data. “And yet we showed patience and perseverance and stayed on the ball – and that’s paying off now,” says Scholz. “Because today speed is everything: You have to be fast, you have to convince people and demonstrate competence, and not only quickly position yourself on the market, but also try to shape it – otherwise you quickly fall behind.”
“TODAY SPEED IS EVERYTHING: YOU HAVE TO BE FAST, YOU HAVE TO CONVINCE PEOPLE AND DEMONSTRATE COMPETENCE.”

Boris Scholz
How a recipe database turned into a community of a million fans
RECIPE FOR SUCCESS

How a recipe database turned into a community of a million fans

Chefkoch.de

Bonn

What’s cooking? Chefkoch.de, Germany’s hottest cooking portal, is part of Gruner + Jahr.
How a recipe database turned into a community of a million fans
The building at Mallwitzstrasse 1-3 in Bonn-Lannesdorf is inconspicuous – a typical office building in a nondescript industrial area. It’s hard to imagine that this is the home of Germany’s online market leader on the subject of cooking: the cooking platform Chefkoch.de. But somehow the HQ of Pixelhouse GmbH, the operator of Chefkoch.de, also reflects the history of the successful website: It all started very small, as a start-up and somewhat by accident. A Pixelhouse programmer wanted to demonstrate to a customer the things you can do with a database and how it runs under full-load conditions. As an example he chose recipes from his private collection, and that was the beginning of this immensely popular vertical around the theme of cooking. The three founders of Chefkoch.de have now left the cooking portal, and Gruner + Jahr has owned 100 percent of Pixelhouse since January 2011. BENET met Robert Franken, Managing Director of Chefkoch.de since 2011, as part of the „Digital Transformation@Bertelsmann“ series.

There has not been a real transformation to digital at Chefkoch.de, Robert Franken clarifies right away: „After all, we have only ever existed in digital form.“ Nevertheless, since its inception in 1998, the platform has undergone a steady evolution in order to keep meeting the changing requirements of the Web. Although in the past few years Chefkoch.de has continued to grow and has become much more than „just“ a recipe database, its core competence is still the recipe search - „the best on the Net“ says Franken. The number of available recipes is unparalleled in Germany – there are now over 200,000 recipes in the database, and more keep being added.

A million registered members

But it is not only the quantity of recipes that speaks for the success of the cooking portal. The site now has more than a million registered members and nine to 11 million unique users, i.e. people who visit the site at least once a month. Even if Robert Franken, who prior to joining Chefkoch.de was on the Executive Board of the families
How a recipe database turned into a community of a million fans

Screenshot of Chefkoch.de Home
“CHEFKOCH.DE IS THE BEST RECIPE DATABASE ON THE NET”

Robert Franken
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community Urbia, always thought a development like that of Chefkoch.de was within the realm of possibility, he himself admits that he continues to be surprised on a daily basis, and delighted especially by the success of the community and the enthusiasm, loyalty and emotionality of the users.

If you ask Robert Franken about Chefkoch.de’s recipe for success he replies: „Peace, joy and pancakes“ And really, at Chefkoch.de things are done in a very civilized way: The forum supervision is relatively strict. Negative comments and „comments that don’t add value,” as Franken calls them, are deleted. „Our users feel comfortable in the community, that’s the reason why they stay,” says Franken. The forum supervision is carried out by 30 mostly volunteer moderators. Robert Franken also likes to describe this group as a „market research group at its best,” because he says it is always abreast of the latest developments and knows exactly what users want.

Another very important feature that contributes to the success of the Chefkoch.de vertical is the fact that the site’s content is user-generated. In other words, the users determine the content of the site themselves; Chefkoch.de is synonymous with recipes by users for users. „We just provide the means of access and an offer – but the site’s visitors aren’t obligated to use it. They decide for themselves what they do and to what extent. They own the platform,” says Franken. As an operator you simply shouldn’t regard yourself as all that important, he notes soberly. Besides the content produced by cooking enthusiasts themselves, there is also an editorial department, which is currently being expanded. „We see that our editorial content is being used more and more and we are responding to this.” For instance, there are regular specials on certain topics, such as a baking special or a European Championships special during the European soccer championships. The editors use search engine analyses to stay informed about which topics are currently in demand and what the top keywords are. They choose the subjects of the specials based on this.

**SEO is the be-all and end-all**

Apart from the external moderators and four editors, there are about 20 other employees, including engineers and developers, and above all an expert who specializes in SEO - search engine optimization. This is a very important topic for Chefkoch.de. „Searches are the be-all and end-all for our platform,” says Franken. Naturally, a bit of luck is also part of any successful development, he adds, but you should always
The Chefkoch.de community is very active
try to „create the optimum balance between content and community.” Then after a certain point in time there is a significant increase in traffic, he says, because the community develops a life of its own. „Then you don’t have to go begging for every post, because the processes acquire a momentum of their own.”

Due to the mass of content, eventually „long-tail effects” arise in the forums, which are in turn found by the search engines like Google. The „long tail” refers to search terms away from the major subject headings, for example „buying a kitchen” instead of „cooking,” „recipes” or „cooking carrots.” He says it isn’t easy to explain this development of a community, because it is an extremely complex construct that needs to be supported over several years. „You can do a lot more wrong than right in the process,” says Franken, but it looks as if he sees this as a challenge rather than something to be feared. „Sleep through one development, and we could be out, but that’s a basic condition of the Net.” Franken is convinced that: „Without Google, we would not be as successful.”

In order to be found amid the plethora of offerings on the Internet, Chefkoch.de’s content must conform to a certain form, contain certain keyword densities and tags and have the right links. „You just have to do all your homework that companies like Google give you, and only then start on the creative part,” says Franken. The topic of SEO must be an underlying theme throughout, he says – in the editorial departments as well as IT, it cannot be ignored by anyone. And the success of Chefkoch.de suggests that the company is also doing a lot right in terms of SEO. The food community SEO expert now holds seminars on this topic and also trains Chefkoch.de clients. „This allows us to demonstrate our capabilities and show that we are more than just a website operator – that Chefkoch.de is in fact a strong brand and an important gateway to consumers for the industry.” He and his team enjoy all of this, says Franken.

**Absolute market leadership**

The Managing Director is aware that the situation on the German market with Chefkoch.de as absolute leader is a special case. In no other country is the market leadership as clear as in Germany, where the next best competitor only has about a tenth of the reach of Chefkoch.de. But Franken is well aware that the platform has to do quite a bit to maintain its position as market leader and that the situation can change quickly. „If, say, Google were to consider taking up the topic of recipes, I
don’t know what we would do to counter it.” You can only fight with the resources available to you and use them to the best possible extent, he says, adding that one advantage Chefkoch.de has over other competitors is the duration of its market presence, with the topic of search engine optimization already pretty “cemented.” In future they will do everything possible to maintain or expand the position of undisputed market leader, says Franken, adding that there is still some leverage they can use - not least in G+J and Bertelsmann-related environments. „There are lots of exciting ideas and cooperation opportunities we want to successively use."

Currently, Chefkoch.de is transforming itself from being a pure website operator into a partner for the food industry and food retailers, a key expert in the „food & Internet” sector and the universal target group gateway for an entire industry, says Franken. „Chefkoch.de aims to become a key element in the food vertical value chain by facilitating the daily routine for consumers and users across all media and devices, and thereby providing the respective industries with access to high-quality target groups,” says Franken.

Franken says he sometimes gets the impression that users think Chefkoch.de is run by just two or three dedicated people, and he is obviously delighted about it: „That’s great. That’s exactly the image we need and want to have.” At the latest since G+J’s involvement in Chefkoch.de, the platform has undergone considerable professionalization, but for the user, it should always remain a dedicated, high-quality platform that is not purely sales-driven.

**Financed by advertising**

Speaking of sales, Chefkoch.de is financed by ad sales. One of its major partners is the appliances manufacturer AEG, for whom the cooking portal is a major advertising platform. AEG is also a sponsor of the Chefkoch app, which has been available for iOS at the App Store since November 2011. Developing it took a lot of time, but was well worth it, says Franken. „We didn’t want to make the app an agency project, because we believe that we need to build this expertise ourselves,” he says, adding that mobile is not a special path or a new medium, but an evolution of the regular business, and therefore part of the core business. Many insights gained from usage of the app are now used in the ongoing development of the regular website, says Franken.
“THERE ARE LOTS OF EXCITING IDEAS AND COOPERATION OPPORTUNITIES WE WANT TO SUCCESSIVELY USE”

Robert Franken
The Chefkoch app has been downloaded about 1.2 million times in the seven months since – and the folks at Chefkoch.de are proud of this figure. But Franken says that for him user activity is much more important than the sheer number of downloads. On a normal Saturday this amounts to 100,000-150,000 sessions (uses of the app). Currently, about 15 percent of Chefkoch.de users use the app and the mobile version of the website and about 85 percent use only the stationary website. Franken is sure that these figures will shift in the medium term, and that since this is a natural progression one must be prepared for, it is important to him that the necessary know-how is not coming from an agency, but is available in-house.

From the outset it was clear at Chefkoch.de that the app would have to be free. „If I have a business model where I can make money through reach and sponsorship, the free approach makes sense.“ He says that if the company were to shift to offering paid content now, it would curtail its own growth potential, as Chefkoch.de lives by its critical mass. The app’s success shows that this was the right approach, he says. „We are able to refinance the app through marketing and sponsorship.“ Franken says with a smile that he can’t cook himself, but knows where to look if he wanted to try. Then he demonstrates the app and you can see his enthusiasm. „The app is fun, because it’s so suitable for everyday use.“

Recipe of the day

The basic idea behind the Chefkoch app is simple: There is always a recipe of the day, an editorial article, new recipes and recipe pictures and a random recipe. Franken says searches are the most used feature and can be narrowed down by different keywords. For instance, you can select certain terms such as “low calorie”, “vegetarian” or “Italy.” In addition, amateur cooks can determine the maximum preparation time. The pictures and ratings are important for the recipes. With pictures it is striking that authenticity is called for here above all. Users don’t want highly professional photos, but normal ones that they might have taken in their own kitchen. While searching for a recipe advertising related to the content is displayed: If you are looking for pasta, for example, an AEG advert appears about “cooking pasta.” In future a synchronization solution is planned for the app, so that things people enter on their shopping list on the stationary Chefkoch.de website are automatically stored on the shopping list in the app. In general, Franken can imagine doing a whole lot more with the app in future, for example, in cooperation with supermarkets.
The Chefkoch.de app
Meanwhile, many cooking enthusiasts no longer use Chefkoch.de just for recipes; if you look at the community posts you’ll find tips on saving money, advice about computer problems, and dates for Chefkoch.de meetings. Robert Franken is happy about the development on his platform. “You have to constantly remind yourself that we have never done any marketing campaign, and that everything has developed by itself.”

“The app is fun, because it's so suitable for everyday use”

Robert Franken
Channeling profits
CHANNELING PROFITS

How fresh ideas can be used to make money with audiovisual content
CHANNELING PROFITS

How fresh ideas can be used to make money with audiovisual content

RTL Nederland
Hilversum

In just a few years, RTL Nederland went from #15 to #2 in the digital market.
How fresh ideas can be used to make money with audiovisual content
The TV business used to be relatively uncomplicated: Channels broadcast their pro-
gams, interrupted by the commercials breaks from which they make their living. But
the TV market has changed rapidly. On the one hand, channels have opened up new
audiences and revenue streams by offering their program portfolio on the Internet as
well. And on the other hand, they now compete against a growing number of compa-
nies that also provide online or mobile video. RTL Nederland, based in the Hilversum
Media Park, operates in this complex and constantly evolving world. It is a highly
creative media and entertainment company that has successfully mastered the chal-
enges of the transformation to digital. Arno Otto is responsible for the digital busi-
ness of the RTL Group subsidiary, which operates four successful free-to-air television
channels, three thematic pay-TV channels, a dynamic Ventures unit and a growing live
entertainment division. He joined RTL Nederland in 2009 aged 36 as Managing Direc-
tor Digital Media. With his profound expert knowledge and work experience – gained
at the Internet companies Adlink and DoubleClick – he defined the main features of
the company’s strategic direction together with CEO Bert Habets. As part of BENET’s
“Transformation to Digital@Bertelsmann” series, Arno Otto discusses what these
main features were; why they led to success in the market; the company’s current
digital activities; and finally, what plans there are for continuing this success story.

‘Why don’t you do it then?’

Arno Otto is quick. He talks fast, thinks fast, but above all he makes decisions and
acts quickly. That’s why three years ago he didn’t hesitate for long when he received
an offer to move to RTL Nederland after a meeting with Bert Habets. “Until then, my
career had been exclusively spent in the digital domain where I acquired the neces-
sary knowledge,” Otto says. He even co-wrote a book, published in 2000, on the
cutting-edge topic of “Internet Advertising & Marketing.” Bull’s-eye. Just what and
who Bert Habets needed to reposition his company in the digital domain. “I argued
that the company had great potential if they found a way to exploit the company’s
audiovisual content online,” continues Otto, who was actually planning to move to
How fresh ideas can be used to make money with audiovisual content

Arno Otto, Managing Director Digital, RTL Nederland
“WE ARE NOW WELL ON OUR WAY TO ESTABLISHING OUR CORE BUSINESS ON A COMPLETELY NEW BASIS”

Arno Otto
How fresh ideas can be used to make money with audiovisual content

Google in London. But Habets simply said, “Why don’t you put your money where your mouth is and do it then?” A challenge Arno Otto gladly accepted.

Initially, this consisted of hiring a bunch of young creative and specialist workers who – and this was important to him – brought “a more dynamic, digital way of thinking” to many areas of the company. “We don’t need separate digital teams – quite the opposite,” says Otto. “We are transforming our businesses to digital, at many levels and together with our employees. We are embedding the digital world in all departments, thus creating synergies. We are now well on our way to establishing our core business on a new basis.”

**High-quality audiovisual content**

In his opinion, a major part of this involves optimally interlinking content, technical infrastructure and advertising sales with each other. Speaking of content: “Unlike many other Internet platforms, RTL Nederland possesses a wealth of high-quality audiovisual content. Two years ago, we made the strategic decision to upgrade this stock for digital distribution with the help of our many creative employees, to offer users an even greater wealth of choice, regardless of what device they are using,” says Otto. Personally he watches very little TV in the traditional sense, mostly repeats of late-night talk show. On the other hand, he watches loads of videos on his mobile devices. In spring 2011, RTL Nederland also acquired Buienradar. “Not only is this our country’s No.1 weather platform and also profitable, it also fits perfectly with our content strategy and it is very complementary to our total digital consumer proposition,” he says. “Especially because the weather is a topic that Dutch people love to talk and complain about. That intimate relationship stimulates us to find many further extensions into the TV and digital domain. After all, we like adopting topics that lie close to people’s hearts and weather definitely falls into that category,” he points out.

And all this talk about a successful RTL Nederland product leads to a topic that is a priority for Otto: reach – or market penetration. “We must ensure that we reach as many people as possible with our content, we strive for an open distribution strategy. We need the reach to develop lucrative new business models that generate additional revenue,” he says, describing RTL Nederland’s strategic approach. It has been implemented with great success: “2009, RTL Nederland was No.15 in the digital market by number of users; in June 2012, we already made it to the No. 2 position. Our growth in this area is exponential.” The fact that RTL Nederland’s infrastructure comprises a
wide range of technology platforms on which it offers content has contributed to this success. Whether Connected TV, tablet, or smartphone, “People can choose between a wide range of devices on which they consume content. If they want content on these devices, we must ensure that we are also represented there.” For this reason, he believes you should venture into new areas and not assume that it is the road to cannibalization. “At RTL Nederland we are all pulling together across all media and are looking in the same direction – forwards. And we do so with conviction and courage.”

**Maximizing and monetizing reach**

Maximizing reach and monetizing it is the art that Arno Otto pondered even during his university days – and which he has been able to perfect at RTL Nederland in the past few years. “These days, it’s not enough to produce content for millions of euros, make it available free of charge on TV, the radio or the Internet and then recoup the costs solely from advertising,” he says. “Of course we still earn a lot from advertising, including online advertising, and this will continue to be the majorsource of revenue. But we have now diversified by also making our content available to users for a fee,” says Otto. He explains that especially in the field of video on demand (VoD), an area where RTL Nederland is represented by www.rtlxl.nl as a central destination for all movies, series and programs, there is growing interest in watching television formats, even for a fee, as tests beforehand and experience subsequently confirms. “The price will eventually depend on how much advertising the users want to see,” says Otto. “If for example, they want to watch ‘X Factor’ and don’t want to pay anything or very little, they can watch the program clip by clip and accept a corresponding number of commercials.” In other cases, RTL Nederland customers can also watch a lot of content without advertising if they are prepared to pay a transaction (TVoD). This model might be developed further in the future: For instance, Otto says that the U.S. experience shows that VoD users initially want content with advertising at little or no cost, but later watch the ad-free, but more expensive longer formats, and at some point even become paying subscribers.
RTL Nederland has made it to second place in the digital market
"Thuiscoach" app for the TV format "The Voice"
Otto says branding is a crucial factor for RTL Nederland’s present and future offerings. “In a world where more and more portals and providers are crowding onto the market, we want users to come to us, to watch and listen to our programs, and to use our services,” says Otto. “That’s why our brand is present in as many domains as possible.” For example, he says the company regularly organizes various major live events and also sells the tickets for them. In addition to live entertainment, the company also ventures into new consumer markets. 2010, it partnered with Vodafone to launch the mobile communications platform Sizz, aimed primarily at female customers. Also, he says, RTL Nederland took over an initiative of a couple of young entrepreneurs who developed a restaurant reservation tool for restaurant owners called Couverts. “We took that service model – no advertising – and branched out into the consumer market so now customers can easily make reservations for a recommended restaurant directly on the website and we can promote it in our many TV cooking shows. We make money from the reservations and the subscription fee paid by the restaurant owners,” says Otto. “This does us a lot more good than simply providing space for the reservation tool of a large advertising customer.”

**Long-term brand value**

He says that basically the idea is to channel the reach generated by a TV format onto a website, thereby generating user transactions while also promoting the format itself. This creates long-term brand value. The fashion site Miinto.nl launched in July, which lets users order clothing items seen on TV shows, follows a similar principle. The partners in this online shop venture are small and medium-sized fashion companies who want to use the marketing power of RTL Nederland to sell their products – “a promising business,” says Otto confidently. “We have many fashion shows on air and integrating our TV expertise and the fashion platform Miinto could very well be possible in the future.”

An equally successful proposition: formats created in-house that extend television formats online with social media elements. “X Factor Heartbeat” for example, was a second-screen experience that lets viewers see the contestants’ heart rates during their live performance for the “X Factor” jury. Around 220,000 “X Factor” fans visited the multiscreen platform, which carries advertising – RTL Nederland has since been able to sell the concept to TV broadcasters in five other countries, including Vox in
Germany. Another example of profitable app offshoots of popular TV formats is the “Thuiscoach app” (the “Home coach app”) or “The Voice,” which allows users to listen to contestants’ singing auditions before they air on TV. During the show, viewers can also pick the “coach” they think the contestant will choose. This app was downloaded about 650,000 times – and the show itself was watched by three million viewers, meaning that almost twenty percent of the show’s viewers downloaded the app. And with “Wie is Tim?” (“Who is Tim?”) RTL Nederland created a format that helps bridge the summer break for the daily soap “Goede Tijden, Slechte Tijden.” In the app, which connects the online world with the physical world, users are challenged to discover the true identity of a new character called Tim. They find handwritten notes, are sent on treasure hunts in parks and with the help of videos, games and hidden content, can learn more and more about Tim every week. Within just a few months, the app has been downloaded 253,000 times in total, which made it the number one free app in the Dutch App Store. “And we have another 15 to 20 new digital formats up our sleeve,” announces Otto.

Planning content across various media

“Overall, these are not just successes in the digital domain, but successes obtained throughout the whole company,” says Otto. “We have great expertise when it comes to television content, but nowadays we have to plan content across several screens. This of course creates many more opportunities for our creative minds, including in collaboration with different divisions within RTL Nederland, but also with colleagues at other RTL Group units, or even at Bertelsmann. The variety of stories that can be told is immense.”

RTL Nederland has repeatedly proven its courage to try out formats and explore unconventional paths. “The Netherlands is a very progressive and dynamic media market,” says Otto. “Here we have the drive to gain experience through ‘trial and error’ more and better than in other countries. It’s important that we put our ideas into action quickly and keep surprising and winning over our audiences, whether they are viewers, users or both.” But he says the response has to be just as speedy if a format doesn’t work: “In the case of our internet cooking portal related to a TV cooking show, a ‘vertical’, we quickly realized that we didn’t have sufficient expertise in that area, and discontinued this strategy,” says Otto. “Decisions like that are part of the business.”
“Wie is Tim?” (“Who’s Tim?”): The popular app connects the online and real worlds
“THE NETHERLANDS IS A VERY PROGRESSIVE AND DYNAMIC MARKET”
Arno Otto
RTL Nederland’s successful strategy of tapping as many sources of revenue as possible recently won public recognition: At the beginning of July 2012, CEO Bert Habets accepted the prestigious “Media Company of the Year” award from the hands of Hilversum’s mayor Pieter Broertjes at the Broadcast Business Event in Hilversum. The jury said it awarded the prize to RTL Nederland among other things because the media company has set new standards with regard to diversification, and is a European pioneer in matters of diversifying its revenue. So Arno Otto’s strategy must be working.
ALL-ROUND SUPPORT
Why writers in the U.S. love to work with Random House
ALL-ROUND SUPPORT

Why writers in the U.S. love to work with Random House

Random House, Inc. New York

Random House has set up an information and services portal for its authors.
There are so many good reasons for authors to publish with Random House: among them the group’s collaborative, and experienced editorial, production, marketing and publicity support, and the benefits of its unsurpassed domestic and international distribution network. March 2012, Random House’s U.S. division added another excellent reason: it opened the virtual doors to the Random House Author Portal, an online information and resource site created in-house exclusively for authors published by the company’s adult and children’s imprints. For its ‘Transformation to Digital@Bertelsmann’ series, BENET visited the New York headquarters of Random House at 1745 Broadway and spoke to publishers and the company’s senior corporate digital leadership, including the team led by Nina von Moltke, Senior Vice President, Director, Digital Publishing Development at Random House, who implemented this great step forward in author communications.

“In this-fast changing marketplace, information is becoming more valuable than ever – not only for us as publishers, but also for our authors. With new stories in the press every day on new ways to publish and market books, it can be confusing to understand the complexities of the marketplace and what is required to build and grow an author’s readership,” says Nina von Moltke, describing a major current challenge for writers. With inconsistent and limited public data sources on the marketplace, and a clear need for up-to-date information and tips for online and social self-promotion, publishers today have an even greater obligation to provide transparency for authors and demonstrate that they remain “their best partner in the fast-changing book publishing world.”

‘Making authors even more successful’

To supplement the in-person author-publisher conversations, Random House now utilizes new tools like the Random House Author Portal, which offers a whole range of valuable services and information for authors. The most popular feature for authors on the portal so far is the ability to get up-to-date information on how many copies of each of their titles have sold, broken out by format edition and by sales channel. They can also see how consumer sales for their titles are trending on a weekly basis. Another valuable feature is the ability for authors to see their royalty statements and balances as well as a list of all subsidiary rights that have been sold. “The Portal makes this information immediately accessible to our authors, which is a great convenience to them,” explains Andrea Bachofen, an Author Portal project manager.
Madeline McIntosh, COO of Random House, Inc.
THE AUTHOR PORTAL IS ALL ABOUT INFORMATION AND COMMUNICATION, AND ABOVE ALL IT IS ALSO ABOUT TRANSPARENCY

Maya Mavjee
Beyond the information and data that is customized and specific to each author, the Author Portal also provides several sections that keep authors up to date on what is happening at Random House and in the industry at large. “The industry news comes in as a daily feed from the two most relevant industry news sources, ‘Publisher’s Weekly’ and ‘Publisher’s Lunch’. The latter is usually behind a pay wall for individual users, but we have licensed the content for free access on the portal,” says Bachofen.

In addition, the portal contains a „Random Notes“ section, a blog page that features news and spotlight information on Random House, Inc. as well as some updated new marketing tools and tips. Some of the Random House spotlight stories contain video content for a more vivid illustration. The new spotlight stories, along with information on updates to the portal, monthly marketing tips and webinar offers are sent to authors in a monthly newsletter.

„The Author Portal is all about information and communication, and above all it is also about transparency,” says Maya Mavjee, President & Publisher of Crown Publishing Group. „Our authors want to be involved. They want to know what happens to their work after they hand it over to us.” Random House, Inc. meets this need at many points in the portal: with the personalized information about sales figures as well as the „Inside“ video, but also with the „Publishing Timeline,“ which describes the various working steps of a book publication in detail from about six months before publication.

**Useful tools for the digital world**

Information and transparency are one thing, but beyond this the Author Portal also supports authors in their efforts to present their books more attractively and effectively, e.g. via social networks like Facebook – and thereby meets another repeatedly expressed wish. „The authors rightly expect us to help them to become more visible in the digital world and to actively support them in the online promotion of their books on an ongoing basis, including leading up to and after their titles’ publication dates,“ says von Moltke. And the Author Portal does just that. In simple terms, it explains new opportunities that each author can take advantage of with a few mouse clicks, especially in connection with social media channels like Facebook and Twitter – and it does this both for beginners and for the more advanced experts.
The author portal offers news, tips and services
On the „Establish Your Base“ page, newcomers to the online world can find information that helps them decide the fundamental question of whether an author is better off starting a website or a blog, and then explains step-by-step how this works. The same applies to the social media platforms — whether Facebook, Twitter, Tumblr, or Pinterest is the appropriate channel, and how an author can cultivate a presence there. Authors with more online experience can turn to the „Grow Your Audience“ section, which contains tips and tools for further expanding their own internet presence, for example by networking with existing Random House verticals and communities and contacting influential blogs and reader communities. Finally, the advanced „Become An Expert“ section explains how they can use existing tools to manage their social presences more efficiently; usefully integrate video content; sell books on their own sites; and the ins and outs of search engine optimization (SEO) and social and web analytics. In addition, there are „webinars“ for all authors, regular live online seminars by experts on specific topics such as the micro-blogging platform Tumblr.

Marketing made easy with the ‘Random House Facebook app’

One tool that authors love is the „Random House Facebook app.“ Using the app, with a few clicks the authors can integrate all of their titles published by Random House in the form of a scroll bar on their Facebook Fan page — with perfect graphics and equipped with many useful features. For instance, there is a synopsis for each title, an excerpt, and direct links to online stores such as Barnes & Noble or Amazon where the book can be purchased. „Since our app was released, it has been downloaded and installed on over 500 Facebook author pages, including many of the authors with the largest fan bases, such as John Grisham, Lee Child, and Danielle Steel,” says Bachofen proudly. The Author Portal also offers another popular feature: Authors receive a fifty percent discount on all titles published by Random House, Inc.

2,200 Author Portal users within the first eight months

When the portal was launched, Random House, Inc. sent invitations to a list of 4,000 current authors and their literary agents to join the new platform, resulting in an overwhelmingly positive and enthusiastic response. „Within eight months, over 2,200 authors and 480 agents registered on the Author Portal, and more are coming aboard every week,” says Bachofen.
The author portal offers news, tips and services.
“WITHIN EIGHT MONTHS, MORE THAN 2,200 AUTHORS AND 480 AGENTS REGISTERED FOR THE AUTHOR PORTAL – AND THEIR NUMBER IS GROWING EVERY WEEK.”

Andrea Bachofen
The selection process for the information and services to be included in the platform launch was a highly collaborative, cross-disciplinary one, involving representatives from all of Random House, Inc.’s publishing teams as well as corporate functions such as royalties, sales and technology development. “We had a long list of ideas to begin with, so the first task was to get all the internal stakeholders around one table and decide together what would be most meaningful to our target users,” recalls Nina von Moltke. As a result of this process, the portal includes information and content contributed by a diverse set of specialists throughout the company – for instance, the tips for setting up and expanding one’s own online reach originated in the publishers’ marketing teams.

Once the desired features had been prioritized, the work on designing and programming the site kicked off. The project was developed with in-house resources over the course of about six months. “The data the Author Portal draws on was all already available at several places within Random House,” says Chris Hart, Vice President Information Technology at Random House, describing the technical aspects of the project. “However, it all had to be usefully compiled and prepared for and made available to a new audience.” For him, this is one reason the Author Portal is a good example of successful innovation: “Innovations come from existing knowledge and experience – they don’t just appear from out of the blue, and it was a gratifying opportunity to apply our team’s collective expertise to a project that has become so valued by our authors.”

Launch in Canada

Following the successful U.S. launch of the Author Portal in March 2012, the service was extended to Random House of Canada authors in mid-October that year. “We hope our authors will become frequent users of the information and support materials, and that this will enhance their publishing experience with us,” says Brad Martin, President and CEO, Random House of Canada. Project teams in the U.K. and Germany are working on similar endeavors in coordination with the U.S. teams, to leverage the current infrastructure where possible.

Random House, Inc. plans to further enhance its Author Portal with additional features, for instance, offering extensive help to authors in setting up their own websites, managing email marketing, and an integrated copyright infringement reporting tool,” says von Moltke. “The objective is always the same: to be regularly upgrading the definition of what it means to be the very best publishing partner for our authors.”
Why writers in the U.S. love to work with Random House

The New York author portal project team
The author portal project team in Westminster, Maryland
“INNOVATIONS COME FROM KNOWLEDGE AND EXPERIENCE – THEY DON’T JUST APPEAR FROM OUT OF THE BLUE.”

Chris Hart
How Audiovisual Content Is Digitized For Durability
ARCHIVE OF THE FUTURE

How Audiovisual Content Is Digitized For Durability

Arvato Entertainment Europe

Gütersloh

Arvato Entertainment Europe digitizes and archives all kinds of audio and video recordings.

BENET
The moment you pass through the security checks at the entrance to Arvato Entertainment Europe, it becomes clear that special treasures are hidden behind the company’s doors. “These controls are needed and are absolutely called for by our customers,” says Wolfgang Martens, Director Digitization & Media Archiving Services at Arvato Entertainment Europe, welcoming us. “The security measures mainly have to do with the production masters for CDs, DVDs and Blu-rays,” says Martens. But today, we’re going to focus more on what happens to the audio and audiovisual content after production: its preservation and digitization. Wolfgang Martens and Kelvin White, Director Business Development literally do what the BENET Transformation to Digital@Bertelsmann series is all about – they convert audio and audiovisual content into digital files.

“The history of digital archiving at Arvato Entertainment Europe dates back to the early 1990s,” says Martens. The company kept both a physical and a digital archive as part of its CD production, for BMG at the time. “This early experience gave us an advantage over our competitors that allowed us to speed up our production processes accordingly. When Apple launched its multimedia portal iTunes in 2003, we were able to directly convert a lot of music to the right format and could deliver it to more than 50 portals around the world, enabling BMG to monetize this media content.”

**Preservation and digitization**

Martens says the idea has always been to offer customers a comprehensive range of solutions – to not only archive the content, but also digitize so as to preserve it for long-term monetization – in both physical and digital form. The company’s customers include the Swiss Broadcasting Corporation, Universal Music Group International, and since 2012, the British Film Institute (BFI). “Established in 1933, the BFI National Archive and associated collections cover the whole history of British movie and television production, all aspects of the life and history of Britain as captured on film, and an internationally renowned collection of world cinema,” says Kelvin White, who has supervised the BFI project from the beginning. The archives contain 60,000 film titles, across all formats and genres, from 1895 to the present day, as well as more than 120,000 nonfiction titles, 700,000 British television programs, 20,000 unpublished film scripts, five million photos, 25,000 film posters, 25,000 press books and other items such as programs, tickets, letters, promotional materials, personal memorabilia and company papers. It also contains recordings of the proceedings of the two Houses of Parliament.
“THE HISTORY OF DIGITAL ARCHIVING AT ARVATO ENTERTAINMENT EUROPE DATES BACK TO THE EARLY 1990s”

Wolfgang Martens
“THIS EARLY EXPERIENCE GAVE US AN ADVANTAGE OVER OUR COMPETITORS”

Wolfgang Martens
Kelvin White Since 2009, Arvato Entertainment Europe has managed the archives of Universal Music Group International (UMGI), which are stored on more than 500,000 physical assets (media carriers). As you enter the large room behind a heavy gray door under a simple sign saying „Universal Music Group International archive“ the first thing you notice is the difference in temperature. „In here, the temperature is always kept at 17 degrees with a humidity of 45 percent,” explains Martens. This is important for archiving physical media, mainly for purposes of preservation. „It is important for our customers that the tapes or disks entrusted to us are stored under the best possible conditions,” says Kelvin White. „And we want to meet these requirements, of course.” He says that movie content and media is especially prone to decay. „Film is produced from various materials, some of which can decay entirely, while others can catch fire very easily, so a solution to these problems is needed,“ says White.

**More than 500,000 media carriers in the archive**

Even stored under excellent conditions the maximum shelf life of magnetic tape is usually only a few decades. This affects audio as well as audiovisual content. „At some point the right equipment to play this kind of material will no longer be available,” says Martens. For instance, he says that some formats, like “multi-track systems,” are only available to a very limited extent, and the pool of engineers who can handle these systems is also shrinking steadily. „At some point, the archived content will not be able to be read by suitable means — at least if they weren’t previously digitally archived.” Books are also subject to this problem, he says. „Think of libraries. They have vast numbers of books that need to be stored using special precautionary measures and can sometimes only be handled with gloves. At some point they will no longer exist,” says White. „Our goal is to help customers preserve and then monetize this content, and to archive their cultural content so that the past can continue to be presented in the future.”

The archive room seems to go on forever. There are about 30 kilometers of shelves full of CDs, cassettes, videos and records altogether. In a walkway stands a roll cage filled to the brim with tapes. The attached note reads “For recording.” „Every month we carry out around 2,000 recordings for this customer, or about 1,000 hours of audiovisual content,” says Martens. In all, it is possible to digitize more than 80 different formats is possible, he says. Many of the sound and video technicians who carry out the work studied at the Academy of Music in Detmold. Wolfgang Martens, who 2012 celebrated 25 years at Arvato Entertainment Europe, also started out as an audio engineer.
How Audiovisual Content Is Digitized For Durability

Kelvin White, Director Business Development, Arvato Entertainment Europe
An archived record from 1929 – with a personal dedication
The goal of any transformation should always include preserving the quality of the original source, says White. “The process of transforming analog media always involves accepting compromises in quality. Therefore, for archiving purposes it often makes sense to perform the digitization at very high quality.” He says it has also happened that customers give them media to digitize that could no longer be played. “We would open a film box – and inside there was just dust,” says White. Their work is therefore often a race against time, he says. “We’re not just talking about threatened media content from the 1950s here – digital formats can also quickly deteriorate,” he says and picks a good example: “Think about pictures of your children. Ideally, you have them in digital form on CDs. Maybe there’s also some video footage. If you don’t digitize them, they decay at some point.” The development of the music industry shows that the number of physical carriers has declined significantly. “Access to the media in the digital domain is now so fast and convenient that this format will quickly rapidly prevail if it hasn’t already.” Unfortunately, the decline in the use of physical carriers is also reflected in the decrease in production volumes of CDs, for example.

Preserve the quality of the original source

If visitors to the Universal archives look closer they will quickly come across treasure. For example, there are old shellac discs, the predecessor of the vinyl record, among the items preserved. “There’s even a disk from the early 20th century with the voice of Kaiser Wilhelm II,” says White with some pride and respect. And recordings of the Italian opera singer Enrico Caruso, and records with personal dedications from the early 20th century. “You could say that we have many of the most important works of the music world in our care here,” notes Martens. However, it is often forgotten that other institutions have documents in their possession that need to archived and digitized. “Just think of hospitals, land registry offices and courts - the audio material from court cases alone result in mountains of things that need to be preserved from decay.”

The digital archive is housed in a special security area that only selected people can enter with appropriate access cards. There is a “tape robot,” also known as the tape library, on which there are one or more tape drives and several magnetic tapes, which the device automatically inserts into the tape drives. The device Wolfgang Martens and his team work with is the „Storage Tech SL 8500.“ It has 1,500 terabytes of digital storage space that can be extended by a further hundred petabytes. “There’s room in here for more than 2.5 million hours of music in CD quality,” says Martens, pointing to
the device. To minimize the risk of data loss, Wolfgang Martens and his team at Arvato Entertainment Europe offer their customers additional protection by mirroring the content, which is quickly available in “nearline mode”. The eight fully equipped production studios in which the media from the archives is digitized are located on the first floor of the building. Classical music is heard through the door - a sound engineer is about to make a special recording of „Bolero” by Maurice Ravel.

**Space for more than 2.5 million hours of music**

Looking at the huge Universal archive and hearing how much material is contained in the archives of the Schweizer Rundfunk (Swiss Broadcasting Corporation) and BFI, you get the feeling that a great deal is already being done in this area, but Wolfgang Martens and Kelvin White say this is not the case. By international comparison Germany still lags far behind in the transformation to digital, says Martens, but that a distinction needs to be made between the commercial and public-cultural sectors. „On the commercial side, we are on the right track in Germany, but there is a great need to catch up in the public-cultural sphere.” The willingness of governments to make money available for digitization programs is much more pronounced in other countries. „In France and the Netherlands, for example, much has already been done to safeguard cultural heritage,” says Martens.

While he says that there were already digitization initiatives in Germany at the federal government level, in his view they are far too hesitant. „The ideas are there, and so is the will, but the decision-making processes seem to take a very long time,” says White. He says there is still a widespread attitude that people can wait until they digitize, which is not the case. „Rights holders and content owners need to hurry up and preserve their assets, because, as I said, the machines will not be available forever,” says Martens. „There is still a lot of work ahead if we want future generations to be able to benefit from the archived media.”
“RIGHTS HOLDERS AND CONTENT OWNERS NEED TO HURRY UP AND PRESERVE THEIR ASSETS”

Wolfgang Martens