



# Innovation@ Bertelsmann

Twenty-four stories about innovative people,  
projects and products

What's Your Story?  
Volume 5







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projects and products

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**Thomas Rabe**

Chairman and Chief Executive Officer  
of Bertelsmann

# Innovation Is More Important Than Ever

→ **IN THE 182 YEARS OF ITS HISTORY**, Bertelsmann has always been a company that dared to initiate, develop and market innovations. In these times of rapid change, innovation is more vital than ever. With this in mind, Bertelsmann empowers innovation at all levels: product innovation, process innovation and innovative business models. In this book, you will find vibrant examples of innovative projects across all our corporate divisions: among them, the development of new TV, magazines and ad-marketing formats; customer solutions; and communication of learning content.

I wish you an edifying, enjoyable and inspiring read!

Thomas Rabe

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**Lorenzo Mieli**  
CEO of Fremantle Media Italia

# The Golden Age

Even before the global success of the TV series “The Young Pope” starring Jude Law, Fremantle Media’s Italian subsidiary Wildside was recognized as a leading producer of high-quality television entertainment. Now, the sky’s the limit. One of the creative minds behind this success is Lorenzo Mieli, cofounder and CEO of Wildside and CEO of Fremantle Media Italia.

→ **“AS A CHILD, I WATCHED TELEVISION** for at least five hours a day,” says Lorenzo Mieli, CEO of Fremantle Media Italia, and cofounder and CEO of the production company Wildside, at the very beginning of the interview – thus immediately answering the question as to why a philosophy graduate ended up in the TV production business. The Italian TV producer now feels that what might sound like a catastrophic approach to child-rearing in other circumstances was a great stroke of luck. “I loved watching TV as a child, and still do,” he says. Even back then, he was fascinated by the variety of programming, the “flow” from series to show to documentary to movie and so on. “I absorbed this flow, and today it’s practically become the principle behind my work, both because I produce all the genres I watched and loved, and because they all mutually influence and affect each other,” says the TV producer.

“Never just make one thing, don’t take the well-trodden paths, incorporate a lot of things, mix them together and create something new” is how

Mieli describes his philosophy, which has served to establish him as one of Italy's most innovative and successful producers. The same applies to the many creatives with whom he has produced hundreds of hours of television programs across all genres over the years. "They are not only people 'native' to the field, but also architects, journalists, critics, authors and teachers – and more importantly, they're all friends of mine, some of them high school or college classmates."

After university, Mieli initially tried to realize his love of television as a director. He made a whole series of short films and music videos, including commercials – and was desperately unhappy. "I hated it. It just wasn't my thing," he recalls. He was on the brink of quitting the industry entirely, when he talked to an experienced TV producer in New York in 1999 and explained exactly which parts of the

"I love having  
an idea and then  
refining it"

Lorenzo Mieli

process he liked and which ones he didn't. "I told him that I love brainstorming. I love getting an idea or picking up on one and running with it; that I like scriptwriting and editing a lot – but what I absolutely did not like was working on set," says Mieli. "Then you're the perfect producer" was the opinion of the television professional, a job that would have been almost inconceivable to Mieli until then. "And he was quite right. A producer's work encompasses much more than just securing the financing – it's exactly what I do well and what I wanted to do."

This realization marked the birth of Wilder (later Wildside), a TV production company Mieli founded in Rome in 2001 with friends from other industries. "We started as a creative company without a specific medium, but it quickly became clear that television offered by far the most opportunities," says Mieli. At the time, he gained an insight that would serve him very well for years. "Back then, in Italy as elsewhere, there was this pretty snobbish idea that quality only exists on the big film screen, and that, by the same token, what you see on TV is not as prestigious," he says. But the Italian film industry was in crisis, its movie theaters old and in need of renovation, funding new movie projects was difficult, "and, besides, I had no wish to have some stupid fluke – a lousy review, a rainy opening weekend – suddenly endanger the work of two years."

On the other hand, Mieli says Italian television wasn't, for the most part, very good at the time, and it was a bit self-oriented, even though the underlying structures would have made better, more professional work possible. So

why not combine the sophistication and power of cinema with the possibilities of television? Why not make higher-quality, more entertaining television? Mind you, this was long before US channels like HBO and AMC, and later also Netflix and Amazon Prime, showed how high-quality serial entertainment made to cinema standards can work. The new production company Wilder's first attempt in this direction was an ambitious TV channel show on the subject of books, which the team developed for Tele+, the predecessor of pay-TV platform Sky, and the French pay TV channel Canal+. But then came September 11, 2001, and the platform's priorities suddenly shifted, and the book show came to nothing. "Fortunately," says Mieli. "Today, I think it would have been a disaster."

### **Important step forward with daily talk show**

But the work for Tele+ and Canal+ wasn't wasted. "We developed a lot of innovative shows for the occasion, which we have been gradually implementing ever since," the producer recalls. The first was a six-part documentary series for RAI about the political events in Italy in 1992, when the country's established party system collapsed. Mieli picked up on this material again in 2015 when he produced the drama series "1992," which premiered on Sky Atlantic. It was a great success, as was the sequel "1993," which also premiered on Sky Atlantic in 2017. "This has happened to me quite often – subjects that I thought I was done with returned to me," says Mieli. This also happened with his biggest success to date as a producer – the award-winning series "The Young Pope." But more about that later.

Mieli and his company Wilder took an important step forward with a daily talk show that they produced for a small channel on the Sky network. The channel was Planet, and the talk show was called "Planet 430" – the number stood for the channel's position in the program directory, "so you can see it wasn't exactly the country's most important channel," Mieli says with a smile. The talk show's recipe for success was its extensive, never-boring mix of topics, which kept viewers coming back for more. "The program didn't cost much and was very well received, so Sky gave us free rein," says the producer, who again developed the topics for "Planet 430" with a group of old friends from a wide range of disciplines. "That was one of the best times of my life," he says. "We had complete freedom and really talked about everything." And 99 percent of the group of creatives that was formed at that time still work at Wildside, he says.

Mieli sees this type of teamwork – the mutual trust that allows ideas and topics to be openly and candidly discussed – as essential to his work and to Wildside's success. "Creativity and innovation are unimaginable without



“Creativity and innovation are inconceivable without open discussion and trust”

Lorenzo Mieli



**TV series**

produced by  
Wildside: “In  
Treatment” (top),  
“1993” (middle) and  
“The Young Pope”  
(bottom)





open discussion and trust. They go hand in hand,” says the producer. He sees his work as an essential part of his life, which is why it’s so important to him that he works not merely with coworkers, but with friends and old classmates. And not only in the office but also in his own home, at the corner café or at a party – places where he socializes and networks. “Basically, I work around the clock, but without being too stressed and without neglecting the family,” says the father of two.

### **Exceptionally innovative production company**

Documentary series, documentary films and talk shows were soon followed by Wilder’s first entertainment series. “The Italian series that ran on the big channels like Rai Uno at the time were a bit soapish,” recalls TV fan Mieli. In the early 2000s, the US channels showed that there was another way, with a whole new kind of series: exciting, with complex characters and storylines. “I watched ‘The Sopranos’ and it changed my life,” says Mieli. “It was so incredibly good, and my only thought was: Will I ever be capable of bringing something of this quality to Italy?”

At the time, that was still unthinkable, but Mieli and his friends at Wilder found their own, innovative way of using as their subject matter the kitsch Italian series that were popular at the time. In 2007, they offered Fox Italia a comedy series that poked fun at precisely this kind of series. “Boris,” the name of the comedy series, was about a fictitious TV soap “Gli occhi del cuore” (“The Eyes of the Heart”), and described the absurdities of the production routine on set. The series’ three gag writers did not come from the TV industry; Mieli had discovered them working in theater. They still work with him today. “Boris” was a success with viewers and critics alike, and Wilder now had the reputation of being an exceptionally innovative hotbed of creativity.

From April 2010 onward, Mieli was able to realize his philosophy of recruiting TV creators from all kinds of sectors, even beyond the TV industry and in another TV genre: talent shows. It was precisely this that led him to take over management of Fremantle Media Italia, in addition to his other duties. Fremantle Media Italia was particularly successful with the Italian version of the talent show “The X Factor,” and despite the fact that it was already an audience hit, Mieli and his team proceeded to completely change the show, which had previously been produced by another external production company for Fremantle Media Italia. “We took a huge risk, and in 2011 promptly moved from the public broadcaster RAI Due to the pay TV channel Sky Uno, with a newly conceived show,” says Mieli. With success: “The new ‘X Factor’ became the most talked-about entertainment show in Italy from its very first

day. After six years it's still number one, and now has an average weekly viewership of four million."

Mieli says the continued success of "The X Factor" is primarily because of the judges selected for the show. "TV is good if it's made by people who aren't in television first and foremost," believes the producer, and he applied this belief to "The X Factor" as well. "The judges are serious musicians, and this is shown time and again," explains Mieli, who has to work hard to recruit and retain the judges. "We've had judges who have a love-hate relationship with the show and who are constantly on the verge of quitting the panel while the cameras are running. But this is exactly what the show needs."

The producer repeatedly emphasizes that he abhors being limited to individual creative fields such as only television, so it made perfect sense that in 2009 he and his partners merged Wilder with Offside, an Italian producer of highbrow cinema, to form the new production company Wildside. "Offside founder Mario Gianani, still a partner at Wildside, had worked with movie greats like Bernardo Bertolucci, and had shot a lot of sophisticated art house movies, so Offside gave us really first-class movie expertise," explains the Wildside boss. At a stroke, Mieli had become a serious contact for major-league Italian directors. "Without this background, we would never have been able to secure impressive movie directors like Paolo Sorrentino, who won an Oscar for his film 'La Grande Bellezza' ('The Great Beauty') in 2014, for a TV project," says Mieli. "We managed to convince Sorrentino and other directors with our mix of TV and movies. As a result, they now see a whole new way of developing and telling stories over a period of several hours in a series, and they feel at home at Wildside."

In 2015, Mieli felt the time had come for Paolo Sorrentino to shoot his first TV series. In Italy, both Rai and Mediaset produced successful TV series about the Capuchin monk Padre Pio, one of Italy's most popular saints. The producer wanted to revisit this topic to create an elaborate and provocative Padre Pio series for the new player, Sky, together with Sorrentino. The director was not averse to the idea, and there was a lot of discussion; eventually the concept took on a life of its own and culminated in a plan to shoot an exciting, upmarket series about a fictitious pope – Wildside's first-ever international series in English. "That, too, is part of my job as a producer – to think big wherever possible, and sometimes to take risks," says Mieli. And a major project with the

**"To think bigger  
whenever possible,  
take risks"**

**Lorenzo Mieli**

US cable company HBO was always going to be a risk, especially in financial terms – but it has paid off royally for Wildside, as well as for Mieli personally.

“The Young Pope” project was so interesting and promising that Fremantle Media bought a majority 62.5 percent stake in Wildside at the beginning of production in August 2015. At the time, Cécile Frot-Coutaz, CEO of Fremantle Media, had long declared the expansion of the scripted-entertainment business as a focus of her strategy – and Wildside, with its ambitious projects, was a perfect fit. It was clear from the beginning that Fremantle Media International would handle the international distribution of “The Young Pope.”

### **First English-language series for an international audience**

“The Young Pope” premiered at the Venice Film Festival in September 2016. It was one of the first times a series had been part of the festival program, and it garnered critical acclaim from all sides. After Venice, the series aired on numerous TV channels worldwide and was loved by an audience of millions. “The Young Pope” had the best premiere of a new series on Sky in Italy and the biggest launch of an international series on Canal+ in France, and was named the third-best new drama of 2016 for Sky Atlantic in the United Kingdom. Its most recent success was its nomination in two Emmy categories this summer – the first nominations in decades for a TV series produced in Italy.

“The success of ‘The Young Pope’ has opened up tremendous opportunities for us,” says Mieli. “The market for English-language series is now wide open to us.” He says that Wildside has used the past two years to initiate further international projects. For instance, starting late next year director Paolo Sorrentino will shoot another series about a papacy for HBO, “The New Pope,” which is also set in the world of “The Young Pope.” And this year, filming starts in Naples on an adaptation of Elena Ferrante’s worldwide bestseller “L’amica geniale” (“My Brilliant Friend”), the first of four novels by the author set in 1950s Naples. Director Saverio Constanzo, who has also worked with Wildside for many years, will turn the material into an eight-part TV series, which HBO will air in Italian in prime time. “That would have been absolutely impossible before,” says Mieli. “Today we have the freedom to do just about everything – this is the golden age of TV production.” ■



**Michel Nougé**, Head of Brand Promotion at M6

# Beam Me Up, M6

In 2016, M6 broadcast 11 of the European Championship soccer matches in France. Eleven times, the RTL Group channel took many millions of viewers on a journey into the future of television, daring to do things that had never been done before. One of them was the “teleportation” of world-class soccer players from Lille, Nice, Bordeaux and other stadiums to the studio in Paris. Michel Nougé, Head of Brand Promotion at M6, spoke about a TV innovation that many regarded as a TV revolution.

→ **“BEAM ME UP, SCOTTY.”** A short, ordinary sentence that nevertheless went on to make TV history. For 51 years, it has stood for humankind’s dream to be whisked from one place to another in fractions of a second without having to physically cover the intervening distance. For the creators of “Star Trek,” the transporter teleported the crew through space – as an invention of the 22nd century. So, according to one of the world’s most famous space series, there is still a hundred years before the pipe dream of teleportation becomes

a reality. Strictly speaking, that is. In reality, the French TV channel M6 already made a huge step toward this in 2016. In broadcasting soccer's European Championship, M6 made television history by "teleporting" players and presenters so perfectly and playfully between the studio and stadium that the national team players spoke of "magic," the media of a "revolution" and M6 of an "innovation" that has flung open the door to the future of television.

It was, as always, a revolution with a back story – which began the moment M6 decided to broadcast 11 of the European Championship soccer games in its own country, including the final. All the matches, and especially the final featuring France, gave the channel dream ratings and market shares at unprecedented levels, culminating in more than 20 million viewers. And yet, channel boss Nicolas de Tavernost had declared from the beginning: "Broadcasting a European Championship is not profitable for a channel from purely commercial considerations. But for us it's a matter of prestige. In television, you need great moments like this, moments when the masses gather around the TV set and where we can give a demonstration of our professionalism."

M6 gave its all to prove its professionalism, especially in view of the fact that it had to share the European Championship with one of its most serious competitors, TF1. "Our channel doesn't routinely broadcast sports," says Michel Nougé, Head of Brand Promotion at M6. "Sports are an event for us – and we set out to present Euro 2016 to viewers as such."

**"For us, athletic activities are events"**

**Michel Nougé**

M6's first coup was recruiting soccer legend David Ginola as copresenter alongside the experienced and popular Nathalie Renoux. The second was a determination to "set new standards for sports broadcasts," as de Tavernost confidently announced in an interview. "We wanted to stand out. We wanted to offer top-class TV for a top tournament," adds Nougé, "and we wanted to be better than TF1, after we had invested so much money in broadcasting the European Championship."

Nougé and his team did research around the world for six months, scouring the market for television, technology and sports in search of good ideas. At some point, he came across theoretical considerations about teleportation. "They were abstract ideas," as he recalls, but they inspired a brilliant idea in him: He wanted live teleportation, beaming players and presenters from the stadium to the studio or elsewhere – and for this he was promptly dismissed as crazy by his colleagues. Everyone realized that the technological principle would be simple, but that the devil was in the details.

Nougué knew this, too, but stood firm. He had a clear goal: Nathalie Renoux and David Ginola would present from the Paris studio and be able to interview commentators, players or coaches as if they were sitting directly opposite them – even though in reality they would be hundreds of miles away, still at the stadiums in places like Lille, Bordeaux and Nice. “Technically, the interviewees would have to sit in front of a green wall and speak into the camera. The studio background would be inserted digitally. “That’s easy,” explains Nougué. But that was the only “easy” thing about it: “The actual implementation is very complex, because all of it was to be live,” he continues. On the one hand, this meant that there was no opportunity to rehearse with the interviewees. Above all, however, M6 would have to work with outstanding technical precision.

“Exactly the same conditions had to be created in the studio and stadia, despite entirely different preconditions,” says Nougué. “The distance between the camera and subject, the apertures and focal lengths used, the modulation of the sound, the lighting inside and outside the stadium – everything had to be absolutely identical.” In addition, fiber optic cables as thick as an arm had to be used to ensure outstanding transmission performance. “It wouldn’t have worked without them,” says Nougué, “because any delay, any disturbance of the simultaneity of sound or image, would have been artificial and unnatural, would have ruined the principle of teleportation, the dream of ubiquity, of omnipresence.”

### **Standards for future sports broadcasts**

As it turned out, M6 not only didn’t ruin this dream, but made it a reality for 11 games, after each match and without a single glitch. “Following a successful dress rehearsal after the Russia vs. England match, teleportation quickly made the rounds among the national teams,” recalls Nougué in the summer after the European Championship. “I was just beamed up by M6” was a common expression among the players, who grinned as they talked about magic and were happy to join in. The positive response wasn’t limited to the players; the French and later the international media later celebrated M6’s innovation as exemplary, and as a benchmark for future sports broadcasts. “We didn’t expect our experiment to have such resonance,” says Nougué, who understandably is very pleased about it. “The media resonance was an absolute dream for us.” He is careful to point out, however, that “conditions were ideal.” A perfectly organized tournament, international attention and first-rate sports – the convergent circumstances for a large television experiment could hardly have been better.



“We’ve seen  
the future of  
television”

Michel Nougé



**During the broadcast** of the 2016 UEFA European Championship, M6 playfully and flawlessly “teleported” team members and presenters back and forth between studio and stadium.



Which also explains why Nougé responds with some hesitancy to the question of whether “teleportation made by M6” will be continued. “We used teleportation once more, for a TV show with two comedians and also in one of M6’s news programs,” he says, “but there are currently no concrete plans to expand it.”

### **Completely new world of imagery**

And yet, the use of the technology was anything but a game for M6. “We glimpsed the future of television,” believes the TV professional. “This is about nothing less than entirely new worlds of images.” And if you add in the experiment by the socialist presidential candidate Jean-Luc Mélenchon, who a year after the European Championship used holograms to simultaneously transfer himself to different election campaign venues by using the same principle of ubiquity, you get an impression of how TV images might soon rise from the television screen and enter the viewer’s room. ■



**Stéphane Coruble**, CEO of RTL Ad Connect

# Fishing Where the Fish Are

As the central international unit of all of RTL Group's international advertising sales house, RTL Ad Connect markets RTL Group's advertising space and solutions across country borders – on TV as well as online.

→ **INTERNATIONAL ADVERTISING IS NOT EASY:** The marketing managers of companies small and large constantly face the challenge of what form, what countries and what media they should market their new product to. From high-fidelity earphones to cars, to e-business to shower gel to cookies – the target groups for any given product are very heterogeneous and, in this age of burgeoning numbers of digital media, no longer can be reached on just one or two channels. That is why, in the case of total video ads, companies get support from media marketers like IP Deutschland. The company, part of Mediengruppe RTL Deutschland, researches the best advertising options in each case and handles the bookings with TV broadcasters and online media. For

their European advertising activities across country borders, RTL Ad Connect offers advertisers the multinational advertising network of all eight of RTL Group's European marketers.

The RTL Group subsidiary was renamed based on the strategic rationale of facilitating advertising customers' access to the advertising markets in other countries – on all channels and platforms.

“When I became the company's Managing Director two years ago, it was already clear to us that a global repositioning of IP Network as the umbrella of our marketing and advertising sales activities would be necessary,” says Stéphane Coruble, CEO, RTL Ad Connect. “Media use and the advertising market are subject to rapid change, to which we not only have to adjust, but also must join forces to actively attend to.” This led to the development of a new strategy called “GET 2020.” “GET” stands for “Growth” in other countries, “Expansion” to include new media for marketing, and the digital “Transformation” of the processes used – a strategy is gradually being implemented and that is already bearing first fruit.

“We're making use of the power of the RTL Group”

Stéphane Coruble

“We mustn't forget that RTL Group's 56 TV channels and 31 radio stations alone already make us one of the strongest players in Europe's advertising market,” says Coruble. “Add to that the growing reach of our many online channels and multiplatform networks, as well as the advertising technology of companies like SpotX, Smartclip, Clypd and Videoamp, with which we reach more and more users, more and more effectively. Our innovative approach revolves around combining all of this: pooling our expertise across company and country borders, and offering advertisers even better and more international solutions on more and more platforms.” The RTL Ad Connect Managing Director says advertisers were pleased to hear this: “We involved them in our strategic planning right from the start and received valuable feedback.” Now customers have the option of gaining visibility for their advertising messages in other countries, with one booking and full transparency. “This helps them become a more international player, at least within Europe,” says Coruble.

“We leverage the power of RTL Group and its units – both in terms of content and by using the name,” he says, explaining why the new strategic approach was accompanied by the name change. “The new name expresses more specifically than before what RTL Ad Connect is and does,” says Coruble. The “RTL” component takes advantage of the RTL brand's high level of inter-

national recognition. “Ad” stands for “advertising,” but also for “added value” for all customers. “Connect” represents the network character of RTL Ad Connect’s pool of international media partners, as well as its role in connecting the advertising industry with viewers, listeners, users and consumers, also and especially in the digital world.


### **RTL Ad Connect As a Kind of “One-Stop Shop”**

RTL Ad Connect gives its customers, including top 40 advertisers, uncomplicated access to the advertising market in other countries – which is managed by experienced local colleagues. “We work hand in hand with RTL Group’s local advertising sales organizations. Our aim is to send them additional business,” Coruble emphasizes. He believes that while that marketing now happens on an increasingly global scale, it can only be successful with local expertise. “Google and Facebook advertise products in the digital world – consistently, around the globe. We are in competition with each other – and can now powerfully stand our ground with the RTL Ad Connect network,” says Coruble. “We speak with one voice for our entire portfolio and offer our customers a simple solution for their advertising in audiovisual as well as digital media – they also receive only one invoice from us. RTL Ad Connect acts as a kind of one-stop shop and a guiding light for easy access to more than 100 TV channels – including RTL Group’s channels and other media partners like ITV in the UK, Medialaan in Belgium, Atresmedia in Spain or RAI in Italy. In addition, there are 30 radio formats, as well as 300 online video platforms, which we market as a whole, also beyond our own channels, including YouTube channels and multiplatform networks like StyleHaul with their many influencers. So, we offer our customers a very attractive package.” And what a package it is! The marketer’s portfolio collectively generates more than 32 billion online video views ... per month. The potential reach of a commercial is some 160 million people.

Coruble figures that it will of course be a while before all advertisers are aware of RTL Ad Connect’s new transnational, cross-media offer, but he is sure that the extensive portfolio and well-thought-out strategy behind RTL Ad Connect will ultimately win companies over. They are already indicating that they are surprised – in a good way – and welcome the fact that the positioning of their advertising on all RTL Group channels, whether on TV or online, is subject to strict quality requirements. That is not necessarily a given on the Internet. “With us, no company runs the risk of advertising in a difficult or completely unacceptable environment, which can be the result of the near-uncontrolled publication of text, pictures or videos on online




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Reach more  
**audiences**



Reach more  
**insights**



Reach more  
**solutions**

Formerly IP Network,  
now RTL Ad Connect – with a  
range of 160 million people

“We work hand-in-hand with the local sellers of the RTL Group”

**Stéphane Coruble**

platforms,” says Coruble. In this connection, RTL Ad Connect guarantees “brand safety”; that is, the preservation of an advertising company’s good name.

RTL Ad Connect has a lot of plans for the future. In line with the “GET” strategy, the plan is to open up markets in new countries – keyword “growth” – for the company’s own broadcasters, as well as for advertising customers. For instance, RTL Ad Connect plans to soon open offices in Poland and Turkey. The respective contacts will work to facilitate contact with companies who wish to advertise in RTL Group channels’ programming. Gruner + Jahr also has ad sales offices in those countries, which opens up further possibilities for collaboration. RTL Ad Connect has the United States and Asia in its sights – after all, companies there are keen to showcase their products on European TV programs and online platforms as well. By the same token, cooperation with broadcasters in countries where RTL Group itself is not active makes it easier for advertisers to access these key markets. Examples include ITV in the United Kingdom and RAI in Italy. RTL Ad Connect is still looking for partners in Poland and Scandinavia. “We have to fish where the fish are,” says Coruble.

### **New ways to optimize profits on advertising**

RTL Ad Connect is also increasingly expanding its portfolio with new ways of profitably optimizing advertising – keyword “expand.” “From websites and catch-up TV to multiplatform networks and programmatic online videos, today’s options for placing commercials are more varied than ever before,” says Coruble, adding that this is accompanied by digital “transformation” – the last letter from the strategy title “GET.” RTL Group’s various IT service providers offer sophisticated mechanisms to target the playout of ads as precisely as possible to viewers or users – a business that is growing rapidly and which he is certain will accelerate further. Coruble confirms that the transformation to digital is definitely a challenge for his own employees. RTL Ad Connect currently employs about 50 people in eight countries. “We conduct a lot of training to strengthen their digital skills, so that they can form an even more effective team together with new employees who already have the salient knowledge. This enables them to complete the overall picture we want to convey with our company’s repositioning and new brand image: being the best pan-European partner for Total Video campaigns.” ■



**Alison Rich**

Senior Vice President Author Platforms  
and Publishing Development of Penguin  
Random House US



# The Book Is Only the Beginning

More and more readers want to show their affinity to the stories in their favorite books and make them part of their everyday lives. Penguin Random House US has recognized the potential in the marketing of literary content to adults. The acquisition earlier this year of Out of Print Clothing and other projects take the publishing group's activities in the booming licensed-merchandise market to a new level.

→ **DARTH VADER AND CAPTAIN KIRK T-SHIRTS**, Frodo and Jon Snow coffee cups, Batman and Spiderman bedding – by now, there is hardly a consumer-product category without licensed images of an icon from hit motion pictures, television series or video games. The entertainment industry has long recognized the potential for further monetization of its creative content through merchandising. In 2016, total worldwide revenues from licensed-image clothing, toys, home goods, collectibles and more exceeded \$250 billion. The music industry alone generates approximately 15 percent of its revenue from merchandise. By comparison, merchandising in the trade-book business has been negligible. Now, with its recent acquisition of Out of Print Clothing (OOP), the

pioneering creator and retailer of licensed illustrated literary-themed products, Penguin Random House US has greatly expanded the brand-based merchandising opportunities for its books and authors.

“What you read telegraphs something about who you are,” explains Alison Rich, Senior Vice President, Author Platforms and Publishing Development, Penguin Random House US, to whom OOP reports. “By giving readers even more opportunities to display their bonds with particular titles or a general love of reading more publicly, we are extending and expanding the conversation around our books and authors. With Out of Print, we now have the capacity to develop exclusive collectibles from our books that allow fans to literally wear their book love on their sleeves.”

“What you read  
always says  
something about  
who you are”

Alison Rich

Founded in 2010 by Todd Lawton and Jeffrey LeBlanc, two childhood friends, OOP has proven preeminent expertise in product sourcing, licensing, design, production and distribution of non-book literary products. It creates and sells its high-quality T-shirts, adult and children’s apparel, accessories, and home goods featuring book-cover art and original designs in over 1,000 bookstores and fashion, college and gift retailers, as well as on its own popular online destination: [outofprintclothing.com](http://outofprintclothing.com). The company enjoys enduring relationships with many prominent authors, author estates, publishers, visual artists and designers, and licensing agencies, and they continue to build on their product agreements with outside partners, as well as with their new in-house Penguin Random House colleagues.

Classic authors and titles ranging from William Shakespeare and Jane Austen to “The Great Gatsby” and “Sherlock Holmes” are highly called for as motifs at OOP, as are products derived from George Orwell’s “1984”; Franz Kafka’s “Metamorphosis”; Ransom Riggs’ “Miss Peregrine” series; “The Very Hungry Caterpillar,” written and illustrated by Eric Carle; and R. J. Palacio’s “Wonder”: all titles published or distributed by Penguin Random House. Among the most in-demand literary products from OOP are those inspired by Margaret Atwood’s “The Handmaid’s Tale,” thanks to the hit television series on Hulu, which has announced a second season coming in 2018. “With films and other big publishing events, the ability to produce merchandise from our classic cover art enables us to make an even bigger brand statement with our retail partners,” explains Rich.

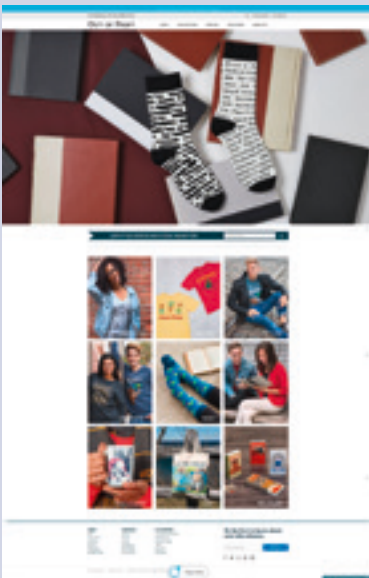
Historically, US licensing activity at Penguin Random House's imprints and divisions has been concentrated on authors and intellectual property from the children's publishing programs. Brands like Mad Libs, Corduroy, Ladybug Girl and Wonder are just a few of the series and individual titles that already have healthy licensing programs embedded within the Random House Children's Books and Penguin Young Readers US divisions. And while OOP has an expanding line of children's products, including onesies, T-shirts, kid-sized totes and baby socks, Rich sees untapped potential for them in the adult market. "Devoted book readers of all ages now don't just want to consume content, they want to use it. Online and also offline at conventions like Comic-Con, we have seen fans clamoring for themed-licensed product beyond the book from their favorite authors."

Rich went on to explain that print-on-demand technology is making the delivery of short-run, exclusive products more seamless, and of course social media makes it easier to spread the word. Down the line, Penguin Random House sees opportunity to create micro-shops for best-selling authors, release limited runs of exclusive product for author tours and other special events, and even unlock e-commerce for some of the robust online communities it manages, including the company's Facebook pages for immortal authors like Austen and Shakespeare. With OOP potentially powering all these programs, Penguin Random House also hopes to see incremental revenue from book sales on the OOP site, where titles can be sold either separately or bundled with the corresponding merchandise.

### **Larger fan communities in social networks**

As new members, with their staff, of the Penguin Random House family, co-founders and now Managing Directors Lawton and LeBlanc also hope to grow OOP's international presence. The company generates about 20 percent of its revenue outside the United States, and customers from over 90 countries have previously purchased OOP products. Rich is excited to collaborate with licensing colleagues from Penguin Random House UK, China and Grupo Editorial to help expand OOP's product offerings and distribution abroad. Penguin Random House authors are open to the publishing group's merchandising activities. "They love many of our creative concepts, and they are as excited and motivated as we are to create a whole new content world around a story of theirs," says Rich.

As OOP ramps up specializing in apparel and accessories, other innovative initiatives around non-book-content-centric products are also unfolding at Penguin Random House. This summer saw the launch of Penguin Print House,



“The authors like  
our creative ideas”

Alison Rich

**Innovative articles**

and employees of Out of Print,  
top picture: the founders Todd  
Lawton and Jeffrey LeBlanc

a pilot program in which the Penguin Young Readers division of Penguin Random House has teamed up with Framebridge, an online framing company, to release a collection of framed wall art featuring illustrations from 15 of their children's books. These range from vintage childhood favorites to contemporary classics like “Dragons Love Tacos” by Adam Rubin and illustrated by Daniel Salmieri and “Llama, Llama, Red Pajama” by Anna Dewdney. A limited number of framed prints in a selection of sizes is available for sale, and each purchase is accompanied by a certificate of authenticity signed by the illustrator. “Bringing these illustrations off the page and onto the walls of readers’ homes allows families to experience our authors’ and illustrators’ stories in an entirely new way,” said Rich. Another pilot in progress, Cover Me, unlocks book-cover elements for fans to customize and personalize when creating and sharing online.

### **A lovely picture for your wall**

Working in collaboration with the various Penguin Random House publishing divisions and imprints, Rich and her colleagues in the Author Platforms and Publishing Development team continue to explore and develop programs to grow reach and revenue for authors, while also giving fans new ways to extend the conversation around the books they love. As for long-term job dedication at Penguin Random House, it is ideal if your professional passion is manifested in the personal sphere as well: Rich’s children wear customized socks and pins, and she herself has a T-shirt with the inscription “When in doubt, go to the library.” All from OOP, of course. ■



**Graham Sim**, Brand Director of Penguin Random House UK

# Telling the Whole Story

Toys, clothing, movies, stamps and exhibitions – since 2013, Penguin Ventures, Penguin Random House UK's licensing team, has been managing and licensing well-known publishing brands of theirs such as "Peter Rabbit" and "The Snowman." The multi-award-winning team now has eight employees.

→ **A PUBLISHER'S JOB IS TO MAKE BOOKS**, really good books, and to find them as many readers as possible. That was the case in 1902 when British author Beatrix Potter published her "Peter Rabbit" story. It was the case in 1978 when Raymond Briggs' picture book "The Snowman" was published in Britain. And, of course, it is still the case in 2017. Nowadays publishers like the United Kingdom's number-one trade-book publisher, Penguin Random House UK, are well aware that some of their most successful stories and characters have the potential to be more than books alone; they also can be world-famous brands that people all over the world discover in movies; as toys; through TV series, apps, theme parks, clothing, household items, stamps and coins; or in the form of plays and exhibitions. Penguin Random House UK was one of the first

major publishing groups worldwide to understand the potential of licensing its characters, which is why in 2013, it founded its own licensing team: Penguin Ventures.

Penguin Ventures has a strong foundation. Penguin Books had always known the value of strong brands. After all, the black and white penguin in the orange lozenge is one of the world's best-known consumer brands. "The Penguin brand has long enjoyed strong brand awareness," says Graham Sim, whose job as a Brand Director of the British publishing group includes the protecting and carefully developing the invaluable Penguin brand. Sim is also Creative Director of Penguin Random House Children's, the children's and YA books division. To advance the licensing business, Francesca Dow (Penguin Random House Children's Managing Director) and Sim brought on board Susan Bolsover, who had spent over 15 years working in the licensing industry, to establish Penguin Ventures with them. "At the time, we simply didn't have the licensing expertise for this business in the publishing group," recalls Sim. After starting with two employees in 2013, the Penguin Ventures team now has eight colleagues and continues to be led by her.

**"Penguin has had a well-developed brand awareness for a long time"**

**Graham Sim**

Besides brand awareness, the British publishing group has another decisive advantage in the licensing business: It owns the rights to some of Britain's most famous children's book series and characters; characters such as "Peter Rabbit," "The Snowman," "Flower Fairies," and the well-known illustrations and texts of the "Ladybird" series. "At the time, amazing content was the key to my decision to join Penguin Random House," says Bolsover, who previously worked for CPLG, Europe's largest licensing agency, handling well-known Hollywood studios, like Universal and Paramount, for them.

Sim and Bolsover are equally convinced that publishing and licensing businesses have much more in common than is initially apparent. "Both hinge on a good story," says Sim; essentially the licensing business, too, is about telling a good story, but in many different ways. "That's why we look closely at the story and brand before we consider what channels and products might be most suitable," explains Bolsover. "What makes the brand special? What makes it unique? How does it inspire people? Only then can you determine which products, media or events are the right ones for telling the story in new ways."



Penguin Ventures has told stories in many new ways since its inception. One of the most eye-catching and successful is that of “Peter Rabbit,” who first appeared in print in the United Kingdom 115 years ago. “Peter Rabbit is the world’s oldest merchandising brand, older than anything Walt Disney created,” says Bolsover proudly, adding that the author Beatrix Potter even received an offer from Disney to make a Peter Rabbit cartoon, but she declined. Bolsover says the character of the mischievous rabbit has only survived so long because Beatrix Potter created a compelling and, above all, timeless story accompanied by some truly iconic illustrations. Penguin Ventures used the occasion of last year’s 150th anniversary of the author’s birth to retell the “Peter Rabbit” story without forfeiting any of its age-old charm.

### **“Peter Rabbit” in every wallet**

“We made 2016 Beatrix Potter Year,” explains Bolsover. Penguin Ventures took advantage of the brand’s high level of recognition and the anniversary to launch a yearlong series of “Peter Rabbit” products and events. “Beatrix Potter’s 150th anniversary is a great example of how we work with a 360-degree approach,” says Sim. “We surround the book, the real story, with a whole wealth of products, media and events.” In the case of Beatrix Potter, for example, Mothercare, a retail chain specializing in baby and children’s products, launched a range of branded clothing, toys, bedding and gifts. The porcelain producer Wedgwood produced a limited collector’s plate. The toy manufacturer Gund marketed soft toys, and the stationery supplier Paperchase sold a new greeting card series in its shops. The British Royal Mail also published a series of 10 special stamps featuring the most popular Beatrix Potter characters. And, of course, Penguin Random House Children’s also re-jacketed five of Potter’s classic tales with new designer edition covers.

One highlight of the anniversary year was the minting of special “Peter Rabbit” coins by the official Royal Mint; they quickly sold out. This was the first time a literary character had made it onto official British coins, and for the Royal Mint, it was its best-selling coin collection ever. The special “Peter Rabbit” silver coin sold out within eight days. “The Royal Mint website crashed twice due to overload, and on the first day of sale people buying the coins were in queues to check out online for over 16 hours in some cases,” recalls Bolsover. In addition to the special coins, “Peter Rabbit” also made it onto regular 50-pence coins that went into circulation, so that today he is found in many British wallets. “Incidentally, this was the only time we didn’t have the final say on approvals,” remarks Bolsover, “because for Royal Mint coins, the Queen herself decides which designs are chosen in the end!”



“We reach completely new target groups”

Graham Sim

**Attractive wares:** licensed products from Penguin Ventures — with “Peter Rabbit” and “The Snowman”

Another highlight of the year-long campaign was the publication of a previously unpublished story by Beatrix Potter. “The Tale of Kitty in Boots” was published by Penguin Random House Children’s in September and became a huge success. It became Penguin Random House UK’s most pre-ordered picture book and the only one of Potter’s tales to ever knock “Peter Rabbit” off the top spot. “When you’re aiming to tell the whole story, every piece of brand activity reinforces and boosts everything else,” says Graham Sim. “The licensed products let us reach completely new audiences in places beyond bookshops.”

Sales figures for other Beatrix Potter books also rose noticeably during the anniversary campaign. And the next “Peter Rabbit” highlight for Penguin Ventures is already in sight: Next spring, Sony Pictures will release the animated movie “Peter Rabbit” worldwide, featuring the voices of such renowned actors as James Corden, Daisy Ridley, Elizabeth Debicki and Margot Robbie.

### **A special flower shop for “Peter Rabbit”**

People’s love for “Peter Rabbit” and other Penguin Random House UK children’s book characters is not limited to the United Kingdom. Susan Bolsover says that in Asia in particular, the classic, unmistakably British figures have become increasingly popular. “We expect China to become the most important market for Penguin Ventures in 2018,” says the Head of Licensing. In their efforts to carefully adapt the licensed products to local tastes, the Penguin Ventures team cooperates with local licensing agencies around the world. In Germany, for example, Mediengruppe RTL Deutschland children’s channel Super RTL is the licensing agent for “Peter Rabbit.”

Just exporting the British ideas and creative from London to the world would simply not work. “In Japan, for example, the biggest fans of ‘Peter Rabbit’ are adults aged over 25,” says Sim. “There’s even a ‘Peter Rabbit’ flower shop in Tokyo.” “It’s always important to further develop the brand and adapt it to the respective target audiences without jeopardizing the brand essence; there can only be one ‘Peter Rabbit,’” emphasizes Susan Bolsover.

An understanding of the ways Penguin Ventures can open new doors for authors and brands has long since spread to other publishing houses at Penguin Random House UK. “In the case of children’s books, in particular picture books, we work closely with our publishing colleagues,” says Bolsover. “They have many, many creative ideas, and Penguin Ventures is now brought into publishing plans very early on – often at the rights negotiations stage.” “One of Penguin Ventures’ great strengths is finding strong licensing and brand partners,” says Graham Sim. Penguin Ventures has already received

several industry awards for this, most recently in June this year at the Licensing Biz People Awards in London.

The next anniversary that will give Penguin Ventures an opportunity to retell a classic story in a new way is just around the corner: In 2018, “The Snowman” by Raymond Briggs, the British Christmas story par excellence, celebrates its 40th anniversary.

Worldwide, Penguin Random House has sold more than nine million copies of the first “Snowman” children’s book alone. Penguin Ventures is already working with more than 80 licensing partners globally to develop new products and experiences based on the original book. “Our plans for

the anniversary year are already taking shape and we look forward to developing this with our licensing and retail partners,” reveals Susan Bolsover. “2018 is going to be an exciting year for The ‘The Snowman’ – and Penguin Ventures.” ■

“The important thing is always developing the brand further”

Susan Bolsover





**Núria Cabuti**, CEO Penguin Random  
House Grupo Editorial

# Act Local, Think Global

Revenue, profit, number of employees, new releases: In just five years, Penguin Random House Grupo Editorial has seen strong growth in all key indicators. Following the acquisition of the Ediciones B publishing house this July, the publishing group led by Núria Cabutí is today the largest trade publisher in the Spanish-speaking world, with publishing Grupo divisions in 10 countries.

→ **“ACT LOCAL, THINK GLOBAL,”** says Núria Cabutí, CEO of the Penguin Random House Grupo Editorial, summing up the recipe for success that she and her management team of 20 executives across eight countries have used to grow the publishing group into the biggest trade publisher in the Spanish-speaking world in just five years. It is also the most international. For although there are competitors who command a stronger market position in some countries, only Penguin Random House Grupo Editorial has become either number one or number two in every country among the Spanish-speaking territories. The most recent among many milestones in the success story of Bertelsmann's Spanish-language book business is the acquisition of the Spanish publishing house Ediciones B this July.

“We are now the market leader in Latin America and in the Spanish-speaking market in the US,” says Cabutí, who has served as CEO of the Barcelona-based publishing group since 2010. “In Spain we are the strong number two behind the Planeta media group, which is firmly focused on its home market” – while Penguin Random House Grupo Editorial, by contrast, currently generates 50 percent of its revenues in Latin America. Altogether, some 500 million people live in Spanish-speaking countries, and Latin America in particular is considered a growth region. Núria Cabutí believes that its visibility across the Spanish-speaking world, and its publishing and commercial success in individual countries despite a multitude of overall cultural and economic differences, is one of Penguin Random House Grupo Editorial’s great feats of innovation.

The principle of “act local, think global” also fits well with the fact that Penguin Random House Grupo Editorial, as part of its international all-encompassing orientation, enjoys a reputation in its industry of being particularly close to its authors. “Personal contact between the teams and the authors they look after is very important to us,” says Cabutí. This is true not only for publishers and editors, but also for sales and marketing staff. “We want our authors to meet and get to know as many people as possible in their publishing house –

**“The personal contact with the authors is very important for us”**

**Núria Cabutí**

– and they also want this, because most authors are very curious to know who is behind the publication and distribution of their books.” Cabutí herself spends much of her time with authors, to share with them the publishing group’s global strategy for their books. Immediately before the interview for this article, Cabutí had an extended lunch with one of the Group’s most successful authors, Ildefonso Falcones who wrote the global bestseller “La catedral del mar” (“Cathedral of the Sea”). Cabutí, Falcones, and the publishing team were celebrating the success of his latest book, “Los herederos de la tierra.” “The booksellers, too, continue their appreciation that we work very closely with authors, as well as with them,” says Cabutí. “Good partners for authors, for the book trade and for readers – that’s who we are, and we want this to always be so.”

Today’s Penguin Random House Grupo Editorial began its path to becoming the leading publishing group in the Spanish-speaking world 40 years ago, in 1977, when Bertelsmann acquired a 40 percent stake in the renowned and



historic publisher Plaza & Janes. Further acquisitions such as the Lumen and Debate publishing houses followed. Bertelsmann entered into the top level of Spanish-speaking publishing groups in 2001, when it contributed its publishing companies to a joint venture with the Spanish-language publishers of the Italian media group Mondadori. “This was a major step that resulted in the new Grupo Editorial Random House Mondadori publishing group having a big presence in Latin America as well,” recalls Cabutí, who was Chief Communications Officer of the new entity at the time. Ten years later, Mondadori decided to exit, selling its half of the joint venture to Bertelsmann in 2012. Its takeover, at a time when the Spanish book market in particular was in crisis, is proof that Bertelsmann has always believed in the Spanish-speaking market, says Cabutí. “We can clearly sense this, and it gives us great peace of mind in our work.”

### **Cultural integration was a challenge**

Penguin Random House Grupo Editorial made another big leap forward in 2014 with the acquisition of Santillana Ediciones Generales, the trade publishing arm of the Spanish media company Prisa. Three years of negotiations preceded the signing of the contract. “It was a dream combination,” recalls Cabutí. “Before, we were mostly known for Spanish editions of international bestsellers, but Santillana brought in a lot of well-known Spanish authors with it.” Not only did writers such as Mario Vargas Llosa, Javier Marías and Arturo Pérez Reverte find their literary home at Penguin Random House, the Spanish publishing group also welcomed 300 new colleagues, growing its head count to some 900 employees. Likewise, the number of Latin American countries where Penguin Random House Grupo Editorial has its own publishers grew: Peru was added to Mexico, Argentina, Chile, Colombia and Uruguay.

The two years following the Santillana purchase were highly focused on the integration of the new publishers and employees. “This process went very well,” says Cabutí. The main challenge was cultural integration, she says. While Santillana was primarily concerned with using a centralized organization to additionally market Spanish writers in Latin America, the Latin American publishers that make up Penguin Random House Grupo Editorial operated much more autonomously, managing their own programs and profiles. She says this concept has been very positively received by the Santillana employees, as it enables them in many areas to take more responsibility. The task of the head office in Barcelona is primarily to support this local publishing work as effectively as possible: as examples, with consistent IT systems, effective distribution, human resources direction, and shared marketing and



**Successful authors:**

John Katzenbach and Francisco Ibañez (Ediciones B, top row), Mario Vargas Llosa and Arturo Pérez Reverte (Santillana, bottom row)



**“We benefit from synergies”**

**Núria Cabutí**

sales tools. “That’s also what we mean by ‘acting locally, thinking globally,’” says Nùria Cabutí. “The publishing work happens locally, but we support it with centralized back office functions – and, above all, as a group we look at all countries right from the start, even during contract negotiations with the authors, and then decide which titles and what marketing measures make sense in specific markets.”

### **Approximately 1,700 new publications per year**

Cabutí emphasizes that Santillana’s smooth integration and Penguin Random House Grupo Editorial’s success today were only possible because the publishing group had done its homework in the years beforehand. “The financial crisis of 2007, which hit Spain hard, was the trigger,” says Cabutí. “Within a few years, the Spanish book market had shrunk by a third.” As a result, all processes within the company were scrutinized. The organization was made leaner and more efficient. When the Santillana publishers were integrated, the benefits of these measures fully bore fruit. “The structures were all in place, but the acquisition gave us the necessary critical mass to fully exploit the benefits,” says Cabutí. “Since then, we’ve benefited from major synergy effects. In the case of Latin America, this was a great opportunity to expand our market share in important emerging markets.” This is clearly reflected in the result: While revenues for Bertelsmann have increased three to four times since 2011 – with the acquisition of Mondadori stake plus the acquisition of Santillana, and organic growth – EBIT has increased 9.5 times in the same period. Penguin Random House Grupo Editorial now sells 24 million books a year with its 40 publishers and imprints, and it publishes 1,700 new titles a year.

When Grupo Zeta, the owner of the Spanish publishing house Ediciones B, approached Penguin Random House Grupo Editorial in January this year with a surprising divestment offer, Cabutí says she and Markus Dohle, Penguin Random House CEO, did not hesitate for long. After brief negotiations, the purchase was announced in April and completed in July. “I’m sure that we will integrate Ediciones B as smoothly as Santillana,” says the publishing boss. With the acquisition, the publishing group added another 100 employees, together with renowned international authors such as Sarah Lark, John Katzenbach, Patricia Cornwell and David Baldacci, plus an attractive, extensive backlist publishing rights. Above all, Ediciones B strengthens the publishing group in several attractive categories, especially children’s and young adult books, as well as comics and graphic novels. Penguin Random House Grupo Editorial previously had hardly any of the latter titles in its programs.

Now Ibañez, the creator of “Clever & Smart,” is at Penguin Random House Grupo Editorial, as are the “TBO Comics,” The Simpsons, and well-known Spanish cartoon characters such as Zipi and Zape, Capitán Trueno and Super Lopez.

These genres are also especially interesting for the publishing group for another reason: “Three years ago, we started building our own licensing and merchandising business,” says Cabutí. The publishing group licenses all titles to which it holds these rights, to partners who then produce and sell clothing, bedding and even cell phone covers with literary motifs. “Ediciones B brought us fantastic, well-known Spanish cartoonists and designers, like Francisco Ibañez,” says Cabutí, “and in these cases, we almost always own all the rights, including the merchandising rights. This is a great commercial opportunity for us, and for our authors and illustrators.”

Cabutí cites the movie and TV rights to the Group’s bestsellers as another highly attractive licensing business. “The traditional TV channels, as well as new providers such as Netflix, or Movistar for the Spanish-speaking world, are increasingly looking for good narratives, and good books, from which they can derive new TV series,” says Cabutí. Here too, Penguin Random House Grupo Editorial holds numerous movie and TV rights to the works of such best-selling authors as Julia Navarro. The publishing group leader expects they will negotiate a number of valuable licensing agreements in the near future.

“We’re in a privileged situation in the United States”

Núria Cabutí

In addition to new businesses, Penguin Random House Grupo Editorial intends to further expand its local-market strengths. In the United States, for instance, where the Group manages this market through its branch office in Miami, it is already the trade-book market leader among the Spanish-speaking population. For Grupo, the US market is closely intertwined with the Mexican book market, where it is also the leading trade publisher. “There are many commonalities and overlaps there, due to similar consumer patterns,” says Cabutí. The Mexican book market is going very well, and the sign of a “Trump effect,” a decline in the Mexican economy due to the US president’s protectionist measures, “is limited,” so far.

Penguin Random House Grupo Editorial intends to target the Spanish-speaking US population, such as readers with Mexican or Cuban backgrounds, more specifically, going forward. And the publishing group has made it its mission to scout and promote even more US authors with a Spanish-speaking

background. “In the US, we are in a very privileged situation,” says Cabutí. “We can fully rely on the collaboration of Penguin Random House colleagues in New York, in distribution as just one major example.” Penguin Random House Grupo Editorial also has direct ties to Penguin Random House US via the successful joint venture Vintage Español, part of the Knopf Doubleday Group. Overall, the Spanish-speaking United States currently accounts for 4 percent of the group’s revenues, a share that Núria Cabutí would like to increase.

### **Support from colleagues in New York**

But whether in Spain, Colombia, Argentina, Mexico or the United States, whether local or international, the primary goal of all 40 Penguin Random House Grupo Editorial imprints is the same: “We want to publish the best authors, the best books and the best stories that reach the most readers,” says Núria Cabutí. ■



**Sonja Assfalg**, Advertising Director at  
CBJ and CBT-Verlag

# Coconut the Little Dragon Goes YouTube

Children and parents all over the world love Ingo Siegner's books about Coconut the Little Dragon. Random House, whose CBJ imprint publishes the popular stories about the fire-breathing dragon, has established an official YouTube channel for its little hero.

In doing so, it is striking a new path for the industry. Matthias Aichele, Head of the Business & Digital Development department at Verlagsgruppe Random House, and Sonja Assfalg, Head of Advertising at the CBJ and CBT imprints, discuss Coconut the Little Dragon's new digital platform.

→ **IT'S NOT UNUSUAL FOR HEROES** from children's books to become beloved characters in TV series. A book and TV series often are followed by a movie, of course – nothing new about that, either. In our “smart” digital age, a separate website and app have become indispensable as well. But for a publisher to give a children's book character its own official YouTube channel – as well as a TV series, movie, website and app, of course – is unusual.

It happened in Munich in May 2017 for Coconut the Little Dragon, beloved by children and parents alike for 15 years. The Coconut stories are published by Verlagsgruppe Random House imprints. To date, eight million books and two million audiobooks have been sold in Germany alone, published by CBJ

and CBJ Audio. But the colleagues in Munich have no intention of resting on their laurels from the little orange dragon's success. Instead, to keep pace with the times, Bertelsmann's German book publishing group is transporting its little hero to a place where many of his fans spend their free time: YouTube.

"On the one hand, we observed that as part of changing media use behavior, our own target group of four- to eight-year-olds is increasingly spending time online, and that video, especially YouTube videos, is becoming increasingly important for them," says Matthias Aichele, Head of the Business & Digital Development department at Verlagsgruppe Random House. So last year, the publishing group initiated talks with the YouTube video portal, which is owned by Google. Of

**"Video is becoming increasingly important"**

**Matthias Aichele**

course YouTube is no longer uncharted territory for many book publishers. Many have long operated a channel there. But the idea of creating a YouTube channel entirely devoted to a book character with a view to strengthening its brand made Verlagsgruppe Random House a pioneer in Germany's book trade.

The decision to promote Coconut the Little Dragon – of all the heroes that can be found in books – as a YouTuber was easily made by everyone involved. "We really didn't have to think twice about it," says Sonja Assfalg, Head of Advertising CBJ/CBT. Because it is, of course, helpful in successfully launching a YouTube career to work with a character that has already established itself as a well-known brand.

According to the official trailer, Coconut the Little Dragon's YouTube channel offers loyal fans – and aspiring ones – a wide range of content prepared and produced exclusively for the channel. A "must," of course, are the story-time sessions with Coconut's author Ingo Siegner, in which he personally reads stories from his books. In other videos, the author and illustrator answers questions from children about Coconut the Little Dragon, presents the special features of Dragon Island or tells stories that have not been published in any of the books to date. "The recordings for the YouTube channel suggested to me how I might take a different approach to telling stories about Dragon Island," says Siegner. "When you're on camera, you have to pay attention to very different things."

Sonja Assfalg is delighted that the author actively supports the new digital dimension of his popular fire-breathing dragon's world. "Nothing happens on the YouTube channel without his approval," she says. "We coordinate all the content with Ingo Siegner to keep the character of Coconut the Little Dragon



consistent throughout.” Philipp Schepmann, the audiobook voice of Kokosnuss, also recorded new content for the channel. Existing material from the audiobooks and TV series “Der kleine Drache Kokosnuss” also provides entertainment. Besides just watching or listening, young fans can also actively participate on the YouTube channel, for example, by singing along to songs or learning and guessing at answers in the “Der kleine Drache Kokosnuss und die Buchstaben” (“Coconut the Little Dragon and the Letters of the Alphabet”) series. And in a 360-degree video, the children can even go on a discovery tour and look for wild animals.

The channel's source of new ideas is Verlagsgruppe Random House, where a cross-departmental team consisting of editorial, press, marketing, sales and corporate development staff is responsible for planning, designing and marketing the videos. All content is approved by a professional media educator before publication. “So that parents don’t have to feel apprehensive about letting their children watch the odd Coconut video on their own,” says Aichele. The production process for the videos varies. For instance, the story-time sessions with Ingo Siegner are produced at Verlagsgruppe’s in-house film studios in Munich. However, this is an exception, because Verlagsgruppe Random House has outsourced most of the video production to a third-party agency in Hamburg.

### **Interdepartmental team**

Universum Film contributes its expertise in the field of YouTube management. Verlagsgruppe Random House has entrusted the Mediengruppe RTL Deutschland subsidiary, whose core business is actually theatrical and home-video distribution, with the operational management of the channel. Danny Humphreys is Director of the Digital Distribution department at Universum Film and is delighted to be able to build a second source of income by working with the publishing group. “We would like to expand our core business of licensing and marketing movies and series, and additionally provide the service of marketing content on YouTube for companies,” says Humphreys. His office is only a few steps away from Aichele’s. The two Bertelsmann companies share a building in Munich, and the offices of Aichele and Humphreys are actually along the same hallway. “Because of the physical proximity, there has long been a lively exchange of ideas between our two departments,” says Humphreys. “And since we both bring the little dragon to his fans – Verlagsgruppe in the form of Coconut books and audiobooks, and us through the Coconut series and the movie – it made perfect sense for us to collaborate on this new project.” Humphreys’ team at Universum handles



The Coconut videos are uploaded to YouTube **with the help of Universum Film**

“We first want to get a successful German version up and running”

**Matthias Aichele**

the technical support for the YouTube channel, which means uploading the Coconut videos, providing them with search engine-optimized keywords, and setting up an editorial schedule for when the videos are released. “We clothe the reproduced content in YouTube garb,” explains Humphreys.

Coconut the Little Dragon's new channel is supported by a multifaceted online and offline marketing campaign. In addition to advertising banners on its own websites, such as the official Coconut the Little Dragon and Verlagsgruppe Random House web site, more universal channels are also used for marketing. For example, the publishing group's newsletter on children's books and the CBJ imprint's social media channels. The publishing group also promotes the new YouTube channel through “mom blogs,” a variety of online magazines, and the Coconut books and audiobooks. A media campaign on Facebook, YouTube and Instagram rounds off the promotional measures.

### **Coconut is a star beyond Germany too**

Incidentally, Coconut the Little Dragon is not only a star in Germany; children in countries including Spain, Italy, France, the United States, Hungary, Brazil, Turkey, Japan and Korea have also long since come to love the fire-breathing dragon. But, Verlagsgruppe Random House is not exporting its Coconut YouTube channel to other countries, for now. “First, we have to look at how our channel is received by our target group, how we can optimize it and develop it further, and which new YouTube trends are emerging,” says Matthias Aichele. “We want to set up a successful German model before considering further steps.” Nor is another YouTube channel for a book character planned at the moment. Matthias Aichele and Sonja Assfalg agree that no other children's book character comes close to Coconut's popularity at the moment. That is why, for now, Coconut the Little Dragon will remain a pioneer among book characters, one who stars not only in books, TV series, a movie, a website and an app, but also on his own official YouTube channel. ■



**Steffen Horstmannshoff** (left), Director Video G+J Innovation, and **Jens Uehlecke**, Managing Director of Greenhouse Innovation Labs and Managing Director G+J Innovation

# The Innovation Kitchen

Too many cooks spoil the broth? Not at “Club of Cooks,” Gruner + Jahr’s network for cooking and food videos. Steffen Horstmannshoff from G+J’s Innovation department, and Jens Uehlecke from the Greenhouse Innovation Lab, discuss the background, development and success of “Club of Cooks.”

→ **WHY SERVE UP SOMETHING NEW** when the table’s already groaning under familiar food? And why keep serving the same thing if tastes change over time? Such cooking metaphors do tend to make Jens Uehlecke’s stomach upset. And yet they are particularly apropos for Gruner + Jahr’s “Club of Cooks” – and besides, his colleague and inspiration partner Steffen Horstmannshoff constantly makes culinary references, too, when he talks about Gruner + Jahr’s network for cooking videos.

“Club of Cooks” has been a three-course meal so far, with the final dessert still far from being served. Since the Hamburg-based publishing house founded the first German “foodtuber” network two years ago, its business model has been reinvented three times, adapted to developments in its digital environment and optimized accordingly. Today, it comprises the work of more

than 30 YouTubers who present videos of creative recipes for cooking, baking or grilling. Collectively, the “Club of Cooks” channels generated nearly half a billion video views in the past 12 months. 1.2 million fans follow the brand on Facebook. “Our ingredients are the secret to the ‘Club of Cooks’ recipe for success, and we are constantly combining them in new ways,” says Steffen Horstmannshoff, Director Video at G+J Innovation. “And, of course, our highly flexible team, which has to keep cooking up new products and monetization strategies in order to be successful,” adds Jens Uehlecke, Head of the Greenhouse Innovation Lab.

But let’s start at the beginning, with the preparation of the first course. Cooking has long been a relevant topic for many of Gruner + Jahr’s digital brands – “Chefkoch,” “Essen & Trinken” and “Brigitte,” to name just a few. When Steffen Horstmannshoff got together with Arne Wolter, Chief Digital Officer at G+J, and his team two years ago to think about how these portals could be supplemented by video content, they quickly noted that videos about cooking, baking or barbecuing didn’t need to be newly produced at great expense because the Internet, or rather YouTube, was already richly filled with exactly this sort of content. Made by cooking enthusiasts who share their passion with numerous followers by videoing themselves cooking at home, “Cook Bakery,” “Esslust,” “Yasilicious,” “Klaus grillt” and many other channels contained a wealth of creative, appetizing video clips and an abundance of recipes for just about every taste. The team responded to this insight by developing an idea for establishing partnerships with YouTubers and linking their content with Gruner + Jahr portals.

“Our ingredients are what makes ‘Club of Cooks’ a successful recipe”

Steffen Horstmannshoff

This would give the foodtubers access to established food-related brands and sites and to professional marketing by Gruner + Jahr, while the publishing house would benefit from the foodies’ reach and content. Not to mention the new, integrative forms of advertising that could arise from the collaboration between foodtubers and advertisers. Clearly, it was a win-win situation for all parties involved.

However, before the idea was put into practice, there was a kind of rehearsal meal. “Club of Cooks” was one of the first projects of the Greenhouse, Gruner + Jahr’s test kitchen. Under the leadership of Jens Uehlecke, Greenhouse Innovation Lab, founded in 2015, gives employees and external startups an

opportunity to test new business ideas and products over a period of three months. “The Greenhouse is about taking a new idea and creating a business plan that doesn’t consist merely of assumptions and conjectures, but is based on concrete figures and measured values from previous tests,” explains Uehlecke. “So, for example, before going ahead with ‘Club of Cooks,’ we examined how the foodtubers’ cooking videos were received on our established sites – ‘Chefkoch,’ ‘Brigitte,’ ‘Stern’ – and how many clicks they generated there.” Steffen Horstmannshoff and his team also talked to YouTubers and advertising clients to sound out the needs of their potential future partners.

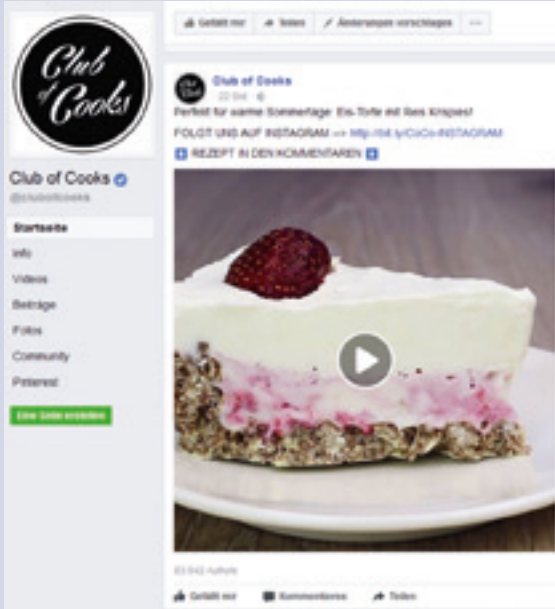
### **No classic multi-channel network**

Three main aspects emerged that still contribute significantly to the video network’s success: its club character, the partnership with YouTubers and embedding the advertising in an authentic setting. “It’s extremely important for the video creators that we develop something together with them and that they can network with one another. That’s why, from the beginning, we deliberately didn’t approach ‘Club of Cooks’ as a multichannel network. We want to work with the YouTubers to create additional revenue that benefits both sides,” explains Uehlecke. “And advertising best reaches its target audience via ‘real’ people with real passions. For this reason, advertising on ‘Club of Cooks’ mainly takes place in the videos and thus in an authentic environment.”

“Club of Cooks” ended its test phase at the Greenhouse in September 2015, but in the two years following the successful launch, the model has constantly evolved and changed. So “Club of Cooks” is not in fact a product, but rather a process of continuous innovation, Horstmannshoff and Uehlecke agree. And so, on to the second course.

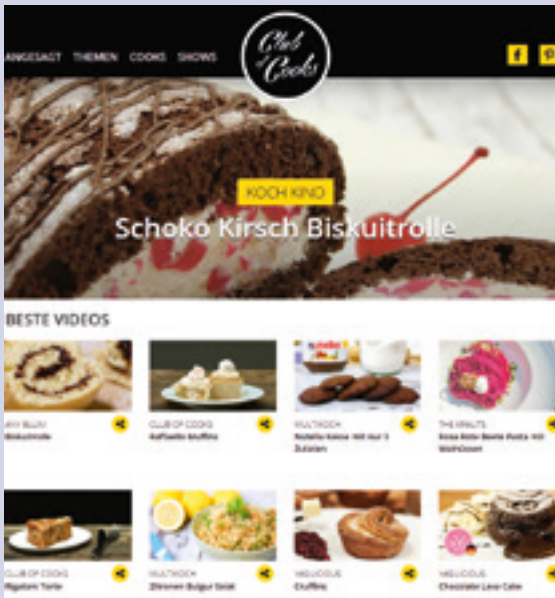
While “Club of Cooks” was initially mainly intended to support existing Gruner + Jahr brands, the video network has gradually developed into a separate brand. Last year, for example, a “Club of Cooks” website and Facebook page were created in order to strengthen its visibility and give it its own online “face.” In the process, it emerged that users were using the network’s Facebook page rather than the portals of established Gruner + Jahr brands to access the website. “This is why we began publishing more short videos and teasers on Facebook, which route users to the complete video clips on the website,” recalls Horstmannshoff. The club character of “Club of Cooks” is still reflected in regular meetings, where the members and Gruner + Jahr managers meet in person and exchange ideas.

But the Internet is a fast-moving medium, where formats and features change rapidly. “Digital business models have to adapt to these requirements



“We want to generate extra revenues together with YouTubers”

Jens Uehlecke



Something to sink your teeth into: Facebook content and website complement the clips in the video network



if they are to be successful,” Uehlecke emphasizes. “One challenge that we have to tackle when working with videos is that this content is primarily on platforms that we cannot control ourselves, such as YouTube or Facebook.” And so, “Club of Cooks” evolved according to the dynamics of social media, which brings us to the preparation of the third course. “Facebook recently introduced a new algorithm that reduces the visibility of contributions whose content is mainly on external sites,” says Horstmannshoff, describing the current situation. “For us, this means that we’re now starting to publish our full-length videos on Facebook. And that in turn leads to a shift in our monetization from our website to this platform.”

### Applying what’s been learned to other fields

So things are still on the boil at “Club of Cooks.” The stove is still hot to the touch, to stick with the metaphor. And the entire team has to keep facing the challenges of the times and coming up with new responses to new questions. There are also lots of ideas about transferring the experience gained with “Club of Cooks” to other special interests. For example, the “Kreativkollektiv,” a crafts and DIY community, has already been set up based on a principle similar to that of “Club of Cooks”; a “Klub der Kerle” will center on the same topic, for a male target group.

Horstmannshoff and Uehlecke are definite about this: What works in the digital world today and next year will look quite different in the following year. But that doesn’t bother them, quite the opposite. “That’s what makes it all so exciting,” they say happily. So it is certain: There are still a lot of culinary adventures ahead for “Club of Cooks.” ■



**Frank Vogel**, Spokesman  
of the Management Board of G+J EMS

# Always Moving in the Right Circles

Someone who reaches hundreds of thousands of fans on social networks likely will attract the attention of the advertising industry nowadays. Many companies want to exploit the potential of multipliers but are not sufficiently familiar with the scene. Gruner + Jahr EMS recognized this need and created "Incircles," a platform that brings together advertising clients and "social influencers" – to the benefit of all parties.

→ **THEY GIVE MAKEUP TIPS** or talk about the latest fashion trends; they present their favorite recipes or give advice on raising children. There is hardly any area of life to which bloggers have not devoted themselves. They have become anchor points in the constantly growing stream of information on the interactive Internet, imparting knowledge, opinions, entertainment and guidance to users. Through regular, attractively prepared photo and video content on social networks such as YouTube, Instagram and Facebook, many have built up fan bases with tens or hundreds of thousands of subscribers. Many bloggers have turned themselves into brands – which makes them interesting, in turn, for major consumer brands – because they are perceived as

authentic experts, sometimes even role models, by their mostly younger fans, and can therefore influence buying decisions.

With this in mind, it comes as no surprise that “social influencers” are coming to play an increasingly important role for advertisers. However, companies are still finding it difficult not only to understand this new marketing channel, but also to choose, from the vast number of influencers, those who are really a good match for their brand and communication goals. This is where Incircles enters the picture.

The solution is the latest component in the multimedia range offered by Gruner + Jahr Electronic Media Sales (G+J EMS), the publishing house’s marketing unit, which conceives customized, cross-media campaigns for advertisers. Incircles brings together advertising companies with social media multipliers and serves as a platform for planning, executing and evaluating “influencer marketing” measures.

Like other innovations at Gruner + Jahr, Incircles also emerged from the Greenhouse, the publishing house’s ideas workshop. When the lead management of the project was transferred to G+J EMS, the developers of Incircles moved to the marketing unit with it, and they form the core of a team that has since grown to a dozen employees. Commenting on the launch of the platform in September 2016, Jens Uehlecke, Managing Director, G+J Greenhouse, said: “Influencers are the big new authority in shaping people’s opinions. Our starting question was: How can we combine the potential of social media bigwigs with the power of Gruner + Jahr’s brands? The answer is Incircles – a prime example of the rationale behind the Greenhouse: We develop business models that benefit from the recognition of G+J brands, their high reach or G+J’s marketing strengths, and quickly test their feasibility.”

“Integrated  
campaigns  
increase  
exposure”

Frank Vogel

Incircles now gives advertisers access to more than 600 handpicked social influencers whose collective reach exceeds 56 million users. The best-known include “Esslust,” “Snukieful” and “Itscaroo.” The multipliers emanate from the fields of nutrition, health, parenting, travel, lifestyle, as well as fashion and beauty – a perfect match for the range of topics covered by the Hamburg publishing house’s magazines. This is no coincidence, as Incircles can also be used in cross-media combinations with G+J brands as needed. “Besides influencer marketing in the social networks, we also offer advertisers integrated

campaigns, where a product is advertised in the same environment on the print and digital channels of G+J titles,” explains Frank Vogel, Spokesman for the G+J EMS Management Board. “This naturally enhances visibility and creates added value.” Basically, Incircles offers advertisers two different approaches for a campaign: “InReach” focuses on reach. The idea is to reach as many users and consumers as possible. “InScene,” on the other hand, focuses on high-quality content and more interactive product presentations. In simplified terms, one might say content distribution versus content creation. Since customers often want a combination of the two, mixed forms are in great demand.

### **Connecting influencers with advertising customers**

Vogel and his team already gained experience in influencer marketing before Incircles. The establishment of the foodtuber network “Club of Cooks” is one of the most prominent examples of this; it was later included in the Incircles portfolio. However, most of these projects were one-off actions. “Because we felt the growing market demand for involving influencers, we decided to think big with the Incircles concept and turn it into a whole separate solution,” says Vogel. On the one hand, this involved understanding the influencers, their needs and working methods, and on the other, finding an intelligent way to connect them with advertisers.

The key to this lies in the algorithm that Incircles is based on. Developed at the Greenhouse, it ensures that from the more than 600 influencers, the ones selected as potential campaign partners are those who best match the advertisers’ requirements. The social media protagonists can be filtered according to criteria such as reach, interaction rate, match with target group and topic, and quality of content. The matching is completely automated, guaranteeing an objective preselection of multipliers. The G+J EMS team then additionally provides personal support and evaluation with the process, because every algorithm can only work with the data it has been fed. In this connection, keeping the influencer inventory up to date is very importance.

And so, part of the Incircles team’s job is to stay abreast of how the influencers’ relevance develops over time. This is important for deciding whether a new social media player will be included in the Incircles portfolio, because in principle, it is open to anyone. And also, it is also important to keep a close eye on the output of the existing influencers. If someone is losing large number of subscribers, or interactions on their channel have dwindled, they usually become less interesting to advertisers. But by the same token, the big social media stars aren’t the only ones worth watching; micro-influencers are



The bloggers Mirja Hoechst and Nela Lee (left to right) are two of the “social influencers” that Incircles works with.



“Data and algorithms are key to our work”

Frank Vogel

often much closer to their followers and interact with them more. This is why G+J EMS constantly monitors the social media scene, to scout relevant influencers and to search for reinforcements if the demand for partners exceeds Incircles' supply on a particular topic. "We regularly maintain this data and, by extension, the algorithm, as they are crucial to the quality of our work," says Vogel.

Besides reach, the success of a social network campaign primarily depends on the actual interactions with the target group. These can be measured in the form of views, likes, shares, comments, new followers or session lengths. To keep the effectiveness of a measure transparent for the client at all times, G+J EMS offers live tracking on Incircles. It allows for documenting and analyzing results in real time, so as to be able to respond swiftly and make adjustments if necessary. At the end of a campaign, the client receives a comprehensive report, in which the G+J EMS experts give both a quantitative and a qualitative evaluation.

### **Well-known media brands with long reach**

Technology is one of Incircles' mainstays, but not the only one. The automated assignment of influencers is common practice in the market, even though the algorithm can make all the difference here. However, G+J EMS has two other strong arguments to set it apart from competitors. First is Gruner + Jahr's well-known and high-reach media brands, both print and digital, into which the content of an influencer campaign can be extended. If, for example, a social media protagonist tests a new variety of cookies, matching recipe ideas can be published on the food portal chefkoch.de. A lipstick would be a topic for "Gala," while soccer shoes would be interesting for "11Freunde," and so on. "This kind of integration never happens as an isolated measure, but always as part of the overall objective, where each channel contributes to fulfilling the campaign target in its own way. Any content published is, of course, coordinated and cleared with the editorial teams," explains Vogel.

However, he says there is no direct interaction between journalists and influencers; both sides continue to produce their content independently. In general, G+J EMS places a great priority to the separation of editorial and advertising communication. The paid content from influencers is subject to mandatory labeling, and Vogel says that there have never been any problems or allegations, thanks to these clear rules.

A second factor that sets G+J EMS apart is the close consultation and support it provides to advertising clients. "Advertisers can use Incircles to get in touch with multipliers directly and book a campaign without our being

actively involved,” says Vogel. “But in most cases, clients want our advice about who might be a good match for them, and what form of integration results in the best interaction with the product. Especially because pure-play influencer campaigns tend to be the exception. Usually, they are part of an overall package for a campaign on multiple channels.” Vogel believes that this one-stop triple whammy of automated technology, media brands and individual consultation gives G+J EMS a clear USP in the field of influencer marketing.

By the same token, Incircles also offers social media protagonists numerous advantages as well. Since they usually have neither the time nor the necessary knowledge to sell their channels and look for advertisers themselves in addition to producing content, they are happy to hand over these tasks to a partner who specializes in them.

Besides, the platform gives them access to companies of a magnitude that would otherwise be beyond their reach. G+J EMS also eliminates the need for them to explain the principle of influencer marketing to every advertiser they come into contact with. “We serve as their permanent

“Influencer marketing is good relationship management”

Frank Vogel

contact. We understand their needs and we have their back so that they can focus on their strengths: producing attractive and, above all, authentic content,” says Vogel. Influencer marketing doesn’t work through the heavy-handed plugging of products but depends on the style and authenticity of a given influencer. Here, G+J EMS offers the advertisers practical recommended actions and advises them on the possibilities and limits of influencer marketing. “Influencer marketing isn’t about ‘buying’ multipliers, but first and foremost, good relationship management. This requires a lot of communication and understanding from everyone involved,” explains Vogel. “Influencers have to remain true to themselves and must not allow themselves to be unduly influenced by the brand – otherwise they lose their credibility.”

For G+J EMS, Incircles is an interesting and promising addition to its product portfolio. It also enhances the Hamburg marketer’s digital skill set. “Simply put, we are seeing an increasing demand for influencer marketing, so it was absolutely the right decision to expand our competence in this area. Quite apart from the extra revenues, Incircles is helping us gain new experience with these new marketing partners on a daily basis, which gives us a competitive edge overall. This is a very exciting time,” says Vogel.



A bit more than a year after its launch, Incircles has truly arrived in the market. The number of influencers has risen by more than 20 percent. Well-known brands such as Vodafone, Henkel, Ferrero, Mondelez and L'Oréal have already run influencer campaigns with G+J EMS. The revenue forecast for the first year was already achieved in summer 2017. Now the task at hand is to keep increasing the value-add for customers by improving the already sophisticated technology. The algorithm is to be made even smarter, the real-time tracking further refined. And G+J EMS is deepening its consulting expertise through extensive research, especially in the field of effectiveness measurement. The team at G+J EMS is keen to further grow Incircles because, according to Frank Vogel, "We now know that there is a market for this. It contributes to our company's overall digital competence, and we achieve synergies with existing print and digital marketing. My preliminary stocktaking could not be more positive." ■



Top: **Barbara Schöneberger** (left) and **Christina Hollstein**, Editor-in-Chief "Barbara Digital,"  
bottom: **Christine Nieland**, Managing Director  
G+J Digital Products

# “I’m Not Weird. I’m a Limited Edition”

In 2015, Gruner + Jahr launched the magazine “Barbara.” This year, “Barbara” was additionally given a face in the digital domain. “Barbara Digital” is the name of the new website, which has its own online editorial team and an innovative web concept. Christina Hollstein, Editorial Director “Barbara Digital,” and Christine Nieland, Managing Director G+J Digital Products, discuss the profile of the digital version of Barbara.

→ **“BARBARA DOESN’T HAVE FROWN LINES;** she has a six-pack from thinking.” “Barbara isn’t weird; she’s a limited edition.” And, “Barbara is the perfect age – she just needs to figure out what for...” The “Barbara” in question is Gruner + Jahr’s popular monthly magazine, to which the German presenter and entertainer Barbara Schöneberger lends her personal touch as Editor-at-Large. The descriptions are just as apt for “Barbara Digital,” the new website of the “different” women’s magazine. Cheeky, cheerful and opinionated, the “Barbara” magazine and website devote themselves to trending topics that preoccupy women and remind their readers – self-deprecatingly and slightly tongue-in-cheek – not to take life and themselves so seriously all the time.

“Barbara Digital” was launched this past April, 18 months after the launch of the print magazine. However, the new website is not intended merely as a digital counterpart to the successful print product but will also advance and expand “Barbara’s” social media channels with exclusive content. “When we launched the magazine in October 2015, we set up a ‘Barbara’ Facebook page to accompany it,” says Christine Nieland, Managing Director, G+J Digital Products. “Now ‘Barbara Digital’ gives us a separate online editorial team that prepares new content daily just for our Facebook channel and website.” The project is already bearing fruit, as shown among other things in the steadily growing number of Facebook fans: In March, before the new website went live, there were 50,000; three months after its launch, the number jumped to 115,000.

The team led by Christine Nieland and Editorial Director Christina Hollstein never doubted that “Barbara Digital” would be well received by its target group. After all, for three months late last year, the concept was put through its paces,

meticulously tested and fine-tuned, and its target readership interviewed, by the G+J Greenhouse Innovation Lab, Gruner + Jahr’s think tank. Based on user surveys, personal conversations and numerous measurements, an editorial concept was developed that resembles that of the print magazine “Barbara” in its basic idea, yet still has a style of its own, adapted to the digital target group.

It starts with the fact that “Barbara Digital” has no home page in the traditional sense of the term. Instead, the website has a different own home page for each day of the week, each with its own theme: Mondays, everything revolves around fashion; Tuesdays are about pleasure (which can range from food to a good book); Wednesdays center on features and stories from real life; Thursdays are devoted to design; Fridays to beauty, and weekends to relaxation. All of these are topics found in other women’s magazines and websites as well – but with a subtle edge that Barbara Schöneberger gives them as the publication’s “influencer.” On the website as in the magazine, irony is deployed as an elemental stylistic device.

“Above all, it’s this special ‘Barbara Schöneberger tonality,’ her humorous, ironic and approachable view of things, that inspires our readers,” says Christine Nieland. “And the irony works because our readers have Barbara Schöneberger in their minds as they read the texts, and imagine her saying them out loud,” adds Christina Hollstein.

“What our readers really enjoy is this special Barbara Schöneberger tone”

Christine Nieland

But they don't always have to merely imagine it. On every day of the week, the magazine's inspiration has her say in a short video, to answer a question from the editorial team that matches the topic of the day. "Barbara, what do you have to say on the subject of mascara?" for example, or "Barbara, what's your take on wall decals?" Barbara Schöneberger's answers always are honest and entertaining. In her typical manner, with a lot of wit and hand gesturing, she tells how she feels about mascara or wall decals, whether high-waist jeans suit her, or if she likes camping. "When we record the videos, we always give Barbara Schöneberger just a one-word cue, and she just starts talking about it off the top of her head," says Hollstein, laughing as she admits that sometimes it's hard to stay serious. Like the entire website, the videos are kept simple and short. The videos, of which there is one new clip daily, in particular are very well received online.

### **Investing more time in the individual articles**

"Less is more" is the editorial team's creed. That is why they only publish three new articles and a single new video each day. "We want to give that very distinctive 'Barbara' tone to every text we write, and every topic to which we devote ourselves, and it's worth investing more time in the individual articles," says Hollstein. The site's users take their time as well. "On average, they spend up to four minutes on the site. This means that they actually read the articles to the end, which is not a given on the web," says the editorial director. What's good for the texts, and therefore for the readers, also pays off on the social media channels, she says. "The more high quality the content, the better it will play out on Facebook, which in turn increases the reach."

Not only the articles and videos, but also the pink-colored cards the editorial team posts regularly, with slogans like "I'm not weird. I'm a limited edition," are well received online. "The highest reach we ever achieved with one of these aphorisms was half a million," says Hollstein. As with the rest of the content, it's the "Barbara" factor that sets the tone.

The website deliberately refrains from offering advice, tips or services. "In contrast to many other women's magazines, we're not into self-improvement," explains Hollstein. "Our content is addressed at self-confident women of action, who know what they 'don't' have to do." The latest fashion trends can be a subject, but instead of providing advice on how to be fashionable, "Barbara Digital" tends to shine an entertaining light on the background to a given trend. Whether or not readers participate in these trends is for them to decide, says Hollstein.



The website has a unique home page for each day of the week.

“We’re not about self-improvement”

Christina Hollstein

One thing is conspicuously inconspicuous on “Barbara Digital”: advertising. This, too, is no coincidence: “Native advertising only” is the principle at “Barbara Digital.” The same conditions apply to advertising as to content. “We don’t want to distract our users from our content with display advertising and instead want to offer them real added value,” explains Nieland. “This means that even the advertising is designed in the style of the content and is written with the same ‘Barbara tonality’ as the rest of the articles.” And although the advertising is inconspicuously integrated in the overall website, it is clearly labeled as advertising. “It’s important for us to make advertising cooperations transparent to our users,” adds Nieland. “The products and advertising clients have to match the concept and style of ‘Barbara Digital.’” The principle of “native advertising” has already been applied to several brands at Gruner + Jahr, but “Barbara Digital” is the publishing house’s first brand that relies exclusively on this marketing strategy and is trying out a number of new approaches in the process.

### Advertising in the “Barbara tone”

For instance, ads don’t have to be only in text form. Christine Nieland and Christina Hollstein can imagine implementing the principle of integrated advertising in video as well in future. “One form of advertisement that we currently offer in text form is the ‘expertorial,’ where we ask our advertising partners questions about their products in the form of an amusing interview,” says Nieland. “We would like to transfer this idea into a video format, which would be called ‘Having a drink with ...’” They both see great potential in the field of video. “Facebook Live is bound to become a topic for us, too,” says Hollstein.

Whatever else may lie ahead, “Barbara celebrates its rough edges. Diamonds aren’t round and smooth either, after all.” “Barbara is not a made-up character. She really exists.” And “anyone who can understand Barbara is capable of nailing jello to the wall, too.” That’s just how “Barbara Digital” is. And as it says on another of her pink aphorism cards: “Us strong, disturbed women aren’t easy. But we’re worth it.” ■



**Frédéric Daruty** (top),  
Managing Director of  
Cerise, and  
**Philipp Schmidt**, (left)  
Chief Transformation  
Officer at Prisma Media



# Tradition Meets Innovation

With the acquisition of Groupe Cerise in 2016, Prisma Media became the number one French media group in matters of online video, overnight. It was a milestone in the digital transformation of a traditional magazine publisher.

→ **CERISE MEANS CHERRY.** Legend has it that Groupe Cerise is called this because “apple” was already taken by... well, Apple. France’s young but market-leading digital media group is hardly lacking in self-confidence. Or innovation. The latter led to Groupe Cerise’s takeover by Prisma Media in May 2016. For the French G+J subsidiary, it was a major strategic step in its transformation to digital; a transformation that goes hand in hand with tradition, i.e. the classic magazine business, as Chief Transformation Officer Philipp Schmidt reports. His predecessor Frédéric Daruty, now Managing Director of Cerise, arranged this takeover in 2015. He was convinced – and the first year after the deal has proven him right – that this was a truly gorgeous cherry to

pick, though perhaps not quite the size of an apple. The acquisition turned Prisma Media into France's number one in online video overnight. It combines the agility of a new digital player with more than 70 million video views a month with the experience of a major publishing company that sells 180 million magazines a year. But one that wants to keep surpassing the expectations of its audience and customers with new content and services, online and offline, with the help of a "full media" concept.

With 101 million monthly visits, Groupe Cerise is one of France's leading digital media groups. The Group is mainly known for the two portals Ohmy-mag for women and Gentside for men. Its 120 employees in Paris and Lille produce almost 4,000 videos for these websites – per month! The fact that these videos are extremely short – between 60 and a maximum of 90 seconds – is one of the secrets of Cerise's success. "Also," says Daruty, "all the videos' topics are spot on with the latest trends – so they automatically attract a lot of users. And third, the site's overall technical performance is top-notch, so users spend more time on it."

"Groupe Cerise was a first-class acquisition candidate for Prisma Media precisely because of its strong expertise in online video and infotainment," explains Philipp Schmidt. "Everything indicates that in future more and more stories will be told in video." This is why the once-traditional magazine publisher Prisma Presse became Prisma Media in 2012, and, among other things, embraced an ambitious video strategy. In the next few months alone, five brand-new video studios are being built to produce curated content, as well as commercials for advertisers.

**"The Groupe Cerise was a first-class takeover candidate"**

**Philipp Schmidt**

But back to Cerise, which was founded in 2011 and is based in Paris, and Lille in northern France. The company's video expertise wasn't the only decisive factor in its purchase by Prisma Media; Cerise also beautifully fulfilled two of the G+J subsidiary's other strategic investment criteria: mobile and data. Add to that major strength and deep roots in social media, superior, proprietary technology, impressive scalability, attractive target groups, and the possibility of internationalization – Groupe Cerise is now active in 25 countries and five languages.

There are, of course, different degrees of "active." "We don't have our own subsidiaries in those countries," says Frédéric Daruty, "but the excellent scal-

ability of Cerise's products makes this kind of international presence possible." In addition to the French original, Ohmymag and Gentside now have offshoots in Spanish, Portuguese, Italian and German – and all of them are already profitable after just one year. One promising project is still in the pipeline: The launch of an English-language site is planned for next summer and has enormous potential for Cerise. Daruty finds this internationalization "extremely exciting" – especially considering that this is Prisma Media's first venture beyond French borders as well. "All of the different language versions are created here in Lille," explains Daruty, and Philipp Schmidt gives a specific example: "When Cerise shoots a cooking video, the video is always designed and recorded in a standardized way so that soundtracks in other languages can be easily and inexpensively overlaid. That kind of project is perfectly scalable."

### High-quality content for the largest audience possible

Scaling, standardization, internationalization – there no longer seems to be much common ground with traditional magazine publishing, Prisma Media's original business. This becomes clear from a glance at the composition of Cerise's 120 employees. They are content managers, audience managers, or community managers. Their job, like those of their journalist predecessors, is to create high-quality content that reaches a maximum audience.

"It's true, Cerise approaches things more with the industrial thinking of engineers," says Philipp Schmidt. He sees this as one of Cerise's most important USPs, and a complement to the classic publishing mindset at companies like Prisma Media: "When developing a medium, a publisher will start with the content and look for the best possible packaging for it. Cerise does it the other way around: They ask themselves: What medium is the best way to make money? – and come up with video. Then they ask themselves: What topics make a video profitable? – and produce the relevant content." Of course, this content has to appeal to target groups that are attractive for advertisers. Following this logic, Gentside and Ohmymag are aimed at people aged between 18 and 35. And they reach them on a massive scale using social media. Cerise has 58 million fans on Facebook alone.

Its close ties to social media are no coincidence – this is, in fact, the core of Groupe Cerise's strategy and business model: "Cerise has developed a technology that closely scans current social media trends and tells us what topics people are talking about, what they are reading, listening to, and watching, and what they like, comment on, and share," says Frédéric Daruty. "We then produce our videos on exactly those topics. The videos spread virally on social



The editorial offices of Cerise and a screenshot of the website "Ohmymag"



“Outstanding scalability makes international presence possible”

Frédéric Daruty

media, where the traffic is diverted to Gentside and Ohmymag, because only there can we monetize our content.”

On all these points, Prisma Media rounds off its own portfolio with the takeover, gaining additional expertise and a dynamic team with an average age of 27, younger than that of Prisma Media’s workforce. All this aside, the effects of the acquisition are by no means a one-way street, emphasizes Schmidt. On the contrary: “We must succeed in combining tradition and innovation. That is our leitmotif at Prisma Media,” explains the company’s Chief Transformation Officer. So while acquired companies such as Cerise contribute video and social know-how, performance measurability and data analysis, he says Prisma Media contributes its quality brands, content, reach, top advertising customers and the 180 million magazines sold each year to the collaboration. “Our strength can only come from the mixture of both,” believes Schmidt.

### **Takeover not a one-way street**

The Bertelsmann network that Prisma Media brings to the partnership should not be underestimated in its possible benefits for Cerise: “The Group’s great international visibility made Gruner + Jahr and Bertelsmann attractive for Cerise,” believes Frédéric Daruty. Cerise has long partnered with “Neon,” “Femme Actuelle” and “Télé-Loisirs” in France and “Stern” and “Brigitte” in Germany on content syndication, and has also extended its feelers beyond Gruner + Jahr to RTL Group companies like Smartclip and IP in Belgium. These contacts are seen as very promising in Paris and Lille.

Prisma Media has deliberately preserved Groupe Cerise’s startup mentality and identity instead of insisting on a complete integration. “We wanted to retain Cerise’s teams with all their agility,” says Daruty. “We never wanted, for example, to make Gentside a Prisma Media brand.” The idea wasn’t for Prisma Media and Cerise to merge, but to develop new things together. For example, the online magazine Gentside and the business magazine “Capital” have set up a new community on Facebook called “Club du pouvoir achat,” and Ohmymag and the TV guide “Télé-Loisirs” have done the same with “Nos séries préférées.” Both are about bringing people with overlapping interests together and linking them to the companies’ brands – a business model that Frédéric Daruty feels is becoming increasingly important.

Cerise is constantly evolving. At the top of the list is the aforementioned launch of English-language websites for Gentside and Ohmymag as the next stage in its international expansion. The launch of new special-interest channels is also planned – it currently has 13. “At the same time, we’re always working to optimize our technology,” says Daruty, “In particular, we can and will

continue to significantly expand automation.” And finally, Cerise wants to reduce its dependence on Facebook “a little.” “It is by far the biggest social network at the moment,” as Frédéric Daruty points out, “but no one knows how long that will remain so. In any case, including Snapchat, Instagram, WhatsApp and other social media is definitely a winning proposition on all counts.” ■





**Anke Becker**, Senior Director IT Systems & Projects  
at BMG



# Maximum Transparency

The innovative “myBMG” client portal enables BMG artists to see what they have earned from their songs, updated regularly and often. They can also see for each song in which countries and through which sales channels they have been most successful.

→ FROM “MONEY” BY PINK FLOYD and “Money for Nothing” by Dire Straits to “You Never Give Me Your Money” by The Beatles, there is a huge number of songs complaining about money. And no wonder: the music industry has not always been renowned for properly sharing the proceeds of success with the musicians who create it. This reputation was one of the things BMG set out to readdress when it was founded in 2008 with an explicit promise to treat artists and songwriters fairly. Naturally, if musicians are really to be assured that they are being treated fairly, they need to know at any time how much money they are earning. It might seem it should be self-evident to most employees, but such transparency was long the exception in the music industry,

and still is in some cases. Traditionally, artists only found out how much money they had actually earned from quarterly or semi-annual statements sent to them by their music publishers and labels. The new BMG saw no reason to retain this non-client-friendly and inconvenient procedure, and in 2013 introduced a digital solution for reporting royalty payments with its online portal “myBMG”.

BMG’s core values are “transparency, fairness and service” and myBMG embodies them perfectly.

“Before the launch of myBMG, our branch offices in the countries in which BMG has operations would send out tons of paper statements by mail each quarter – it was a massive and expensive administrative effort and pretty unsatisfactory for the artists,” recalls

Anke Becker, who is responsible for the BMG portal. In its music publishing business alone, in which myBMG was first made available, BMG manages around 48,000 “clients,” i.e. entities who have claims to royalties

from music rights. An artist may actually be assigned multiple clients, if, for instance, they have several contracts with different terms – which makes the whole thing even more complex for the company and the artists.

In a first step, the entire process, which had previously been handled on paper, was digitized in 2013, so that clients could access their latest statements online at any time using the first version of the myBMG portal. Some 7,000 artists who together have access to approximately 15,000 clients, now use this service. “Although everyone loves it, switching from analog to digital statements is a slow process,” says Anke Becker. “For example, most of the old contracts expressly stipulate a statement in paper form.” And new contract partners keep needing to be integrated in the system, she adds.

But purely reproducing the old process in digital form was not enough for BMG. From the beginning, it wanted to offer its artists new services, creating greater transparency for them. In order to identify their actual needs, Anke Becker and her colleagues conducted a client survey in several rounds, interviewing a total of 40 users, including recording stars like Dave Stewart from the Eurythmics and the hit songwriter Steve Mac. “These were long interviews that lasted between 30 and 60 minutes,” recalls the project manager. “Some artists were skeptical at first, but after they understood that it was all about supporting them, they were very enthusiastic.” For Becker, this is the real innovation of myBMG. “Other music companies now provide their artists

**“The changeover  
is a slow process”**

**Anke Becker**

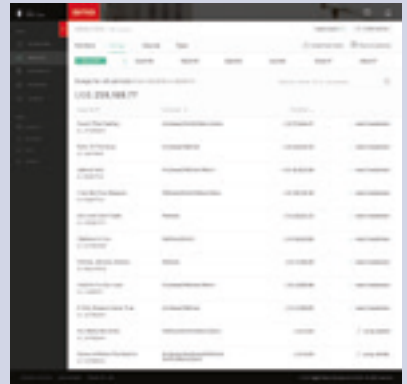
with digital data as well,” she said. “But we were the first to systematically design and build this service from the artist’s point of view – with regard to the information, the services, design and handling.” Becker also drew on the experiences of other Bertelsmann companies, such as the Penguin Random House author portal, or the various tools used for data analysis at Arvato.

This process led to two additional innovations introduced with the latest, third, version of myBMG this past March. Musicians can now check their earnings status nearly to a given day. “There’s a complex IT process permanently running in the background that records the latest income,” explains Becker. “At regular intervals, the royalty pipeline – the latest current account balance, so to speak – is calculated for each artist. The data on the portal itself is then updated at least three times a week.” This is a huge difference to the quarterly or even semi-annual accounting practices of the past.

### Easy-to-read graphs and pie charts

The second innovation, for which there is strong demand among artists, is myBMG’s suite of analysis tools. With a glance at the uncluttered graphs and pie charts, artists can see the countries in which they are successful, over a specific time period, and on which sales channels their songs are used – all for each individual track. “Our artists love seeing where their money is generating from,” says Becker. “Some are already using this information in their work, when they write new songs, for example.” Since the relaunch in June, musicians have been able to do these analyses on mobile devices as well. For the first time, an app, available for both Apple and Android devices, conveniently offers the key services of myBMG anytime, anywhere – another result of the artist’s survey.

The new myBMG has been well received by musicians. “This is a great tool and a wonderful move forward towards helping artists and songwriters understand where they stand in a few seconds whilst on the move,” says Dave Stewart, adding that he is proud to be part of the BMG family making steps toward a better future for creatives. “It’s definitely more user-friendly for songwriters like myself,” says musician and producer Steve Mac. “I can access it anywhere and anytime,” praises Maury Yeston, composer and music publisher. “None of this big data has been available before – that’s lots of transparency.” Rita Johnson, a music executive, writes: “I think myBMG is doing a great job of putting all the information right there versus the old way of having to sort through hundreds of pages in the physical statements.” Maria Forte, another music manager, says: “It’s so easy to use – easy to get analysis – really well thought through. Head and shoulders above some of the other clunky things



The analytical tools provide an overview of important figures.

“Our artists think it’s great to see where their money is coming from”

Anke Becker

I've seen." And Steve Mac, who has already been involved in 42 number one hits for artists like Leona Lewis, Westlife and Kelly Clarkson, even concludes, "Things like this really help me know what kind of songs to write."

### **The artists come first**

Anke Becker's work is far from done with the successful introduction of the new myBMG. While the portal was initially only available to clients of BMG's music publishing business, recording artists whose music is released by BMG will start benefiting from its services this fall. And the project manager is already planning the integration of added features that emerged as requests from the client surveys. "For example, we'd like to integrate a function that shows music publisher clients the registration status of new songs at collecting societies such as Germany's GEMA," says Becker. The musicians would also like to see their royalties from the synch business, which accrue whenever music or parts of music are used, for example, for advertising or television. A breakdown of the digital sales channel data by platform (for example, iTunes or Spotify) is also on the wish list together with an update to the myBMG app. All in the interest of the artists, because, as Becker emphasizes, "They are the top priority at BMG." ■



**Keith Hauprich**, head of the legal department  
at BMG US

# The Trailblazers

Innovation takes many forms. Sometimes it means seeing opportunity where others do not, sometimes it entails taking risks where others fear to tread. Both were the hallmark of BMG's decision to enter into a legal battle for its songwriters and artists with Internet giant Cox Communications. BMG Rights Management (US) LLC was the only major music publisher in the United States to go to court against a major Internet service provider to seek to protect the rights of its clients – and, in the end, secured a judgment that was groundbreaking for the creative industry.

→ **WHEN YOU LISTEN TO KEITH HAUPRICH** talk about his most important project for BMG so far, you are inevitably reminded of the story of David and Goliath: the relatively small combatant taking on a seemingly overwhelming opponent – only to emerge from the supposedly hopeless confrontation as the victor. But even without mythical associations, the success achieved by BMG on December 1, 2015, is deeply impressive. On that day, the US District Court for the Eastern District of Virginia ruled that the Internet service provider Cox Communications was guilty of aiding and abetting copyright infringement. BMG had fought to achieve the groundbreaking verdict, which is likely to have a lasting impact on both the creative and telecommunications industries in the United States.

Hauprich was on the front lines of the battle. As the then Deputy General Counsel of BMG US, he not only played a formative role in the negotiations with major media producers such as Activision Blizzard Studios, Hasbro Studios, AMC and Netflix, he and his team also won one of the most important court cases in the history of BMG. It centered on the question of how intellectual property can be protected in the digital age. The answer to this is crucial for the livelihoods of the creators of music, film, literature and other art.

Digitization has made music available anytime, anywhere. In addition to this boon, it also brought a curse: piracy. Illegal online file-sharing networks sprung up like weeds. Circumventing copyright, users upload and download songs, movies or games without paying a cent. The artists and all other protagonists along the exploitation chain go empty-handed. Of course, the distributors and buyers of the pirated copies do not operate in a legal vacuum. If they are caught, they can expect penalties, in some cases drastic. But to convict someone, he must first be clearly identified.

This is where internet service providers (ISPs) come into play. They know their users' Internet access data and are obliged by law to report their customers' copyright violations, to use protective mechanisms, and to take their own measures, for example, by blocking and terminating the access in question. This is required by the Digital Millennium Copyright Act (DMCA), a US law enforcing copyrights on digital channels. Only then are ISPs entitled to the "safe harbor" defense, which allows such ISPs to avoid liability despite the infringing activity of their subscribers. However, BMG had reason to believe that one of the largest ISPs in the United States, Cox Communications, was willingly turning a blind eye when its customers illegally sucked vast volumes of music files from the Internet.

Hauprich and his team had plenty of evidence that Cox Communications not only did too little to prevent copyright infringement by its users, but even consciously tolerated it. BMG's allegations were based on data from Rightscorp, a company that identifies copyright violations on behalf of license holders and demands penalties from pirate copiers to settle the matter out of court. For music titles for which BMG owns the usage rights alone, Rightscorp identified around 2.5 million infringements committed by Cox customers using "BitTorrent" sharing software. On this basis, BMG decided to take Cox Communications to court. "We knew we were in the right," says

**"Being right and winning your case are two different things"**

**Keith Hauprich**



Hauprich, “but simply being right and asserting your rights successfully are two entirely different things.”

Especially since the starting situation did not necessarily give grounds for optimism. Never before had a US court found an ISP liable for its users’ copyright infringements. None of the major music publishers wanted to follow BMG into the legal fray. As there was no precedent, the financial risk appeared too high. Only the small publishing house Round Hill Music joined the action against a company that had over \$20 billion in revenues in 2016 and nearly five million customers in the United States “Cox is a behemoth,” says Hauprich. “An absolute monster with deep pockets and a lot of influence. It was clear that we only had any chance at all if we did our homework.”

### **No precedent**

And so, long before the lawsuit was filed launched in November 2014, a busy and exciting time began for BMG in general and Hauprich’s team in particular. The 2.5 million infringements detected by Rightscorp needed to be evaluated and a flawless line of reasoning established based on them – to point at a “smoking gun,” as it were. It was an undertaking that took time, effort and nerve.

Nowadays he can tell an anecdote or two and laugh, because in the end the efforts paid off – literally. The District Court of East Virginia ruled that Cox Communications had failed to establish a consistent company policy to penalize its customers’ copyright infringements. The company had thus forfeited its so-called “safe harbor” protection set forth in the provisions of the DMCA. The judgment ordered Cox to pay \$25 million compensation to BMG. Additional motion practice by BMG in February 2017 secured an additional \$8.5 million from Cox to cover BMG’s legal costs. In addition to the data from Rightscorp, Cox’s internal e-mails were damning. They prove that the ISP knew about the breaches, but ignored them so as not to disgruntle customers.

For BMG, the judgment is less about money, and more about its implications. “This has a significant effect on the entire creative industry,” Hauprich believes. “We have blazed the trail, and other copyright owners and publishers will follow our example. In the long term, it can only be in the interest of everyone involved to combat piracy.” Reactions from the industry back him up in this. Praise and recognition for BMG’s courage have been forthcoming from many sides. David Israelite, President of the Association of US Music Publishers (NMPA), commented: “As defenders of music creators, we applaud BMG for standing up to mass music piracy enablers like Cox.”



**Penguin Random House** and Bertelsmann's Corporate Center have their offices in this high-rise on New York's Broadway. The headquarters of BMG US is on the 19th floor.

“We took the greatest risk ourselves”

Keith Hauprich

Hauprich is clear about the rationale for the court case. “In the end we had no choice,” he says. “We could have sat on our hands and done nothing – but that would have been wrong. We must be aware that at BMG we have the absolute privilege of working with amazing creative people who provide the soundtrack to our lives. But we have to re-earn their trust and make our bones every day by showing them how much we value them. We have an obligation to ensure that artists are encouraged, and property protected, and allowed to practice their craft while earning a living.”

### **No alternative to court proceedings**

BMG’s strategy is based on the claim that everything should always revolve around the musicians. With the lawsuit against Cox, the US team has shown impressively that this is not just talk. Hauprich concludes: “We took the greatest risk. We did it first, we did it best. This makes us different.” Or, in the words of a famous Bob Marley song that was covered by the Rolling Stones, a BMG client: “Get up, stand up, stand up for your rights!” ■



**Dominique Kulling**, Managing Director of BMG for  
Germany, Austria and Switzerland

# Building Trust

Artists like things clear – and fair:  
The music company BMG, which has been transforming  
the music industry since 2008, responded to the  
needs of singers and songwriters with a new billing model.

→ **DID YOU KNOW THAT THERE IS SUCH A THING** as truckloads of MP3 songs? According to clauses in the contracts that were common between music companies and artists in the past, there really were. If not physically, at least juristically. Based on this, a “technology deduction” was subtracted from the royalty payments a musician would receive from their record company for their song. This was intended as a flat-rate charge for, among other things, transporting CDs or for damaged CDs and their disposal – and the artist was expected to pay for part of these costs. When music became digital, for some unknown reason this flat-rate charge was applied to MP3 formats as well – hence the proverbial “truckloads of MP3s,” which actually diminished the revenues of musicians not insignificantly. Those days are gone, at least at BMG.

Because BMG – founded in 2008 and now the world’s fourth-largest music company – has built its business model on, among other things, contracts whose core elements include a simple, transparent and mutually fair commission-based model (“Revenue Share Model”). Not only in its original music-rights business but also in the recording business, which was added later, and is now booming. The recording business involves a more comprehensive service package for artists: from recording a new record to its distribution and marketing. The artists are very pleased with this solution: Many stars have switched to BMG because of it, and many newcomers are entrusting their careers to BMG from the very start for the same reason. And several other music companies find themselves forced to now obligated suit.

“These days, it’s really almost impossible to imagine anymore what it was like for an artist to sign such an onerous contract with a music company,” says Dominique Kulling, Managing Director, BMG, Germany, Austria and Switzerland, where she is responsible for BMG’s German music publishing and record business. “For a long time, the contracts contained a whole string of phrases that enabled record companies to reduce the artist’s promised financial participation in a record’s success in every imaginable way.” For example, in the case of songs that were used for compilations, i.e. newly organized collections of songs by various artists, a full third was deducted. Similar deductions applied for songs sold abroad or – who knows how this was determined? – that were advertised

**“We want a close, trusting relationship”**

**Dominique Kulling**

in the media. “With the digitization of music and, above all, with streaming as a new sales channel for music, such constructs become yet more complex,” says Kulling, describing the at-times absurd conditions that led among other things to the earlier example of the imaginary truckloads of MP3s, and which the new BMG rejects. “What percentage of the originally agreed sum does the artist get for what type of use? Over the years, this has become nearly untraceable for many artists.” Over time, these working relationships between artists and record companies led to absurd new formulations – such as the definition of a music recording. In the 1970s and 1980s, phrases like the “dog barking clause” were invented, according to which a dog’s bark cannot be considered a music recording. The background to this was that in order to fulfill his contractual obligations to his record company, a musician submitted 12 tracks of his dog barking – not something that is likely to happen in a working relationship between partners.

“Such clauses, and such treatment of artists in general, attest to a deep lack of understanding of this special business relationship – and that is not our way,” says Kulling. “We want to establish close, trustworthy relationships with our songwriters and artists. In our recorded-music business, we offer them a transparent contract model that is financially attractive for them as well. It clearly states that they receive a fixed proportion of all revenues from their music – regardless of the country or medium where it is sold.” In 2008, BMG was set up with Hartwig Masuch at the helm to take advantage of the upheavals the music industry was undergoing at the time due to digitalization, and to offer artists a new, fair model. Kulling says that usually 75 percent of the proceeds go to the artist, and 25 percent to BMG for its individual support, marketing, physical and digital distribution and licensing. “We also agree with the artist, in advance, how high the promotional and advertising budget should be,” explains Kulling. “As soon as that budget has been covered by earnings, a percentage of the income is paid out.”

### Origin in catalog business

This approach has gone down very well with artists. One of them is Max Giesinger, a BMG singer-songwriter whose song “80 Millionen” spent weeks at the top of the German charts in 2016. “The business model is really great. It ensures that my management team and I are heavily involved in all decision-making processes, and I’m always kept in the picture. This creates a great team feeling, which leads to an excellent working atmosphere. I feel at home at BMG with my music.” As an artist, he says BMG is “the ideal record company,” and adds: “Since they don’t just sign everyone to inflate the roster, every artist is given a very high priority. The working atmosphere is very informal, and I’ve grown very close to many of my BMG colleagues. Everyone knows each other.”

This has its origins in BMG’s commission system in Germany, which is all but revolutionary for the industry, and especially in the “catalog” business. Artists whose works had been released a long time ago, and whose rights were represented by BMG for new recordings, e.g., were able to obtain a contract with truly transparent terms for the first time when the new music company was founded in 2008, or when it acquired their rights catalog. In some cases, lifelong contracts of the former kind were changed in the artists’ favor. The recording business followed, as did other countries including, gradually, the United Kingdom and the United States. “Others thought we were crazy to sign such contracts,” recalls Kulling. “Now they are under pressure to offer similar models and some have already done so. So BMG became a trailblazer in the worldwide music business.”



**The successful** German BMG singer and songwriter Max Giesinger (above) feels as though he's in good hands with his music at BMG – as does songwriter Roger Waters (left), co-founder of the band Pink Floyd, who has been under contract at BMG with his Pink Floyd songs since 2016.

**“The business model is really wonderful”**

**Max Giesinger**



BMG's transparent commission model also includes clear statements of account. In the music publishing sector – and soon, in the recording business – statements can be viewed and analyzed using an online tool that replaces the conventional mailing of thousands of pages of quarterly documents. The billing clearly shows which songs were successful in which country during a given period – and how much revenue was generated. “The system is intended to make income streams understandable. It shows which funds are still outstanding, and it also provides information on sales figures as well as copyright notifications.”

### **All-included package for the artists**

Kulling believes that this modern type of contractual design has also led to the trend toward artists having their own promotion and marketing teams. “Many managers now manage their artists’ releases themselves and determine their future direction,” says the BMG manager. “They rely on small, individual, focused teams and no longer even want to become part of the churning machinery of a record company’s large, overtaxed staff. We adjust to each artist’s individual requirements while also leveraging the strengths of a media group. As BMG, we can of course offer our artists an all-inclusive package – plus the option for potentially launching additional projects with other Bertelsmann divisions, such as books with a Penguin Random House publisher, or inclusion in Fremantle Media formats. Other companies can’t offer that.” ■



**Thorsten Hanisch** (left), member of the management team of Arvato CRM Solutions Deutschland, and **Daniel Welzer**, CEO of Arvato CRM Solutions Deutschland

# Reading Your Every Wish from the Data

Analytics, machine learning, artificial intelligence: The megatrends of digital transformation will permanently change customer communications. Arvato CRM Solutions has recognized this and is systematically relying on these new technical possibilities to offer customers an even better service experience and to accommodate their needs and wishes. More and more pilot projects are being launched with major clients. The acquisition of the Indian IT specialist Ramyam accelerates the company's transformation from mere service provider to integrated provider of technology solutions.

→ **"THE WORLD'S MOST VALUABLE RAW MATERIAL** is no longer oil; it is data," wrote "The Economist" in May 2017. Information often made the difference between success and failure in the past as well. But in the 21st century, the accumulation of knowledge has reached a new dimension. The more digital worlds penetrate our everyday lives, the more footprints are left behind by anyone and everyone who operates in them. State and private institutions are making increasing efforts to analyze this constantly growing and complex volume of data, also known as "big data" or "meta data," and to extract out insights that are relevant for them. The increasingly sophisticated software solutions being used to do this are grouped under the umbrella term "analytics." During the next step, when the data is used to feed and configure com-

puter programs so that they can act independently, artificial intelligence (AI) comes into play. Data-driven technologies open up entirely new possibilities in many areas of life. One of them is the communication between companies and their customers, the field in which Arvato CRM Solutions specializes.

This can be observed, for example, at the CRM Studio at the Gütersloh site. Here, located on 30 square meters, Arvato CRM Solutions Germany presents its range of modern communications solutions that can address service requests faster and more efficiently than ever before, thanks to digital technologies. CRM sites in other countries are already planning similar rooms as showcases for their range of services. “We are no longer merely a service provider; we now provide technology as well,” says Thorsten Hanisch, a member of Arvato CRM Solutions Germany’s management team. “This is what we want to demonstrate here.” The team has created the fictitious company QuantosX, a provider of travel by teleportation, to clearly demonstrate the interplay of different channels to customers and business partners. “The future scenario is to avoid restricting the example to a single industry. That way, every visitor can identify with it to some extent,” explains Hanisch. “The crucial part, however, is that all of the solutions shown are already being used daily in customer service for various companies. This allows us to present them as a bundle, to help visualize the entire customer journey.”

**“We’re not just  
service providers  
but also suppliers  
of technology”**

**Thorsten Hanisch**

On this customer journey, Hanisch and his colleagues lead visitors through the process of booking a teleportation with QuantosX. The process is designed to leave two key impressions: First, the customer is given a wide range of communication channels from which they can flexibly choose when and how they want to contact the travel provider – be it by telephone, e-mail, smartphone app, video or WhatsApp chat. Because of this comprehensive range and the option of combining them, these concepts are known as “omnichannel” approaches. The second striking aspect is that the traveler only has contact with a human account manager if there are complex issues, such as a specific inquiry about baggage regulations, or a complaint. Standard procedures and routine queries – such as booking the trip or information about the weather at the destination – are handled by a chatbot, a computer program that is specifically trained to answer a questioner. In other words, the machine simulates human interaction. “At the current stage of

development, chatbots are already able to handle simple and constantly recurring tasks in customer communications. They do this quickly and efficiently, 24/7, giving the human service agent greater freedom to deal with more complex inquiries,” explains Hanisch. As soon as a bot is no longer able to answer a request satisfactorily, the human agent takes over the dialogue, without delay or loss of information.

The digital customer account managers can be seen in action in the CRM studio. Thorsten Hanisch sends a question from his smartphone, and the program responds. But the central technological performance, the backbone of the chatbot, remains unseen, because regardless of whether it is a person or a machine communicating with the customer or on which channel, both are dependent on having as much meaningful data as possible to answer inquiries satisfactorily. “This is why analytics skills are fundamental to customer relations management,” says Daniel Welzer, President and CEO of Arvato CRM Solutions Germany. “Whenever customers come into contact with a company, whether by phone, e-mail, social media and chat, or place orders or make payments, they leave a data trail. When we evaluate it on behalf of our clients and draw the right conclusions from it, we can not only better serve customers, but also more accurately assess what they want and give them anticipatory advice.”

### **Dependent on meaningful data**

“Predictive analytics” is the name of this discipline – a modern oracle, in a way. The analysis of data within the framework of simulation models is meant to allow reliable predictions about how situations develop or people behave in the future. Police departments, for example, are already using the software to anticipate which city districts will have an increasing incidence of burglary and other crimes. Such tools are also very helpful for commerce. Companies of all kinds have long used the possibilities of data analysis to record the development of business figures, markets and competitors and to plan strategies on this basis. “Business intelligence” has become the established term for this. But the significantly improved weighting and linking of data that comes with predictive analytics allows for forecasts in a whole new dimension.

For companies, the ability to understand customer behavior is extremely valuable. If customer feel understood, they are more likely to remain loyal to the supplier and use more of its products. Service providers like Arvato CRM Solutions are especially called upon here, as they serve as the first point of contact for the end customer. Why might a customer cancel? What offers are necessary to prevent cancellation? What additional services might the



**Modern customer service**

is characterized by digital technologies and data analysis.

“Each interaction with a customer increases the knowledge of a program”

**Daniel Welzer**

customer be open to? Anyone who can answer these questions as accurately and quickly as possible has a competitive advantage. “In the past, the only way to find out what made a customer tick involved complicated procedures – if you could find out at all,” explains Welzer. “Analyzing detailed data, and especially large amounts of data, in real time gives us a more reliable basis and improves the customer experience.”

For a chatbot to communicate optimally in the customer dialogue, it must learn what behavior is most useful for what situations. All methods of “machine learning” are therefore closely linked to and based on analytics. “Every interaction with a customer increases a program’s knowledge,” says Welzer. Which offer was accepted, and which wasn’t? How quickly was the question answered? At what point was a dialogue terminated? The software stores all findings and uses them to make predictions about customers’ future behavior in order to optimize its dialogue. Since this chatbot is capable of performing independent actions based on acquired knowledge – by answering a chat message – a level of artificial intelligence has been achieved. “When programs analyze data, learn from it, and then initiate autonomous actions, we’re talking about AI,” says Welzer.

### **Expansion of technological expertise**

Because there is universal agreement that these technologies will determine the future of customer communications, Arvato is adding skills in this area. The Indian IT service provider Ramyam has strengthened Arvato’s CRM portfolio since the beginning of 2017. Based in the city of Bangalore, the company employs around 100 people and is regarded as one of the most innovative providers of data analysis and usage. Ramyam brings some key IT skills to the Arvato CRM Solutions network: first and foremost, data integration. The technology used is capable of merging data from a variety of sources – or in different formats – and filter and analyze it for quality and relevance. Ramyam also creates comprehensive customer profiles, fed by all of a person’s activities and actions on the various communications channels. Based on all the data and profiles, the IT specialists then use predictive analytics to anticipate a customer’s requirements and needs. This decision making completes the service spectrum. Here, the software independently draws conclusions from the data and gives its user, e.g. a customer-account manager, recommendations for the next steps. Depending on the channel, customers can also be automatically contacted at any time based on these findings.

Ramyam pools these functions in its “Enliven CEM” solution, where CEM is an acronym for “customer experience management.” From the very first

glance at the user interface, you can see the possibilities the software offers for shaping the customer experience. It is reminiscent of a dashboard that gives the service agent a real-time overview of numbers, data, facts, graphics, lists, chats and more. This is what a “360-degree view” of the customer looks like.

For example, the agent can see what topics and concerns the customer has most recently contacted the company about, how they responded to offers in the past, and even whether they most recently responded in a friendly or annoyed way to being contacted. If the customer had been interacting with a bot immediately prior to this moment, the agent sees the chat history and can enter the conversation directly at this point. They can also access all the popular communications channels from within the tool, regardless of how the customer initiated contact.

“Usually, this not only speeds up the handling of inquiries, but also brings added benefit for the customer. For instance, the agent can propose a different data plan based on the analysis of the customer’s behavior,” explains Welzer. “Enliven CRM” can increase

the efficiency of a customer-service center by up to 30 percent, according to Ramyam. Companies including Vodafone USA and Big Basket, India’s leading online supermarket, are already relying on the Arvato subsidiary’s technology.

Ramyam is just one example of how Arvato CRM Solutions is making customer communications more data-driven, smarter and more automated. An increasing number of pilot projects for analytics, chatbots and the like are being launched worldwide, among them for Lufthansa and Volkswagen. Notwithstanding all the excitement about the technological advances, it should not be overlooked that their development still lags far behind the capabilities of human customer-account managers, emphasizes Thorsten Hanisch: “It will be years before a bot can engage in a complete customer dialogue entirely autonomously,” and, even then, he believes the human factor will remain indispensable in customer service. “For one, someone has to train the bots, and for another, there will always be concerns that a customer doesn’t want to discuss with a machine – especially complaints, which are always one of the most important reasons for contact.”

“Bots are good for standard requests, but humans remain the most important factor,” adds Daniel Welzer. “Automation and human interaction belong together. That is our philosophy.” He emphasizes that, at the end of

“Automation and human interaction belong together”

Daniel Welzer



the day, the customers' experience is the decisive factor. Analytics, machine learning, artificial intelligence, etc., give service providers like Arvato CRM Solutions the necessary technological basis. In the end, concludes Welzer, "The data helps us to better understand the customer, and automation allows us to use resources more efficiently. Both increase customer satisfaction. And when the end-customers are happy, our clients are, too." ■



**Alexander Jeske**, Arvato SCM Solutions  
Hightech & Entertainment

# The Eyes Have It

In a pilot project for its international client Sennheiser, Arvato SCM Solutions uses smart glasses to improve the workflow in order picking. The technology offers many possibilities – and is by no means the only innovation whose potential Arvato wants to exploit for the future of supply chain management.

→ **THIS IS NO ORDINARY PAIR OF GLASSES.** That much becomes clear as soon as you try them on. Like regular glasses, they have frames, temples and ear-pieces – but there are three major differences: First is the small screen attached to the top right of the frame. No matter where you look in Logistics Hall 19 of Arvato SCM Solutions in Gütersloh, the screen follows your gaze. A message appears on the display: “Ready for next job.” To start it, all you have to do is tap your index finger lightly against the right side of the frame. A multi-digit number immediately appears in the field of view. Control and command inputs aren’t found on ordinary glasses, either. The number indicates that the object you are looking for is located in corridor 2, shelf 4, compartment 11. Once you arrive at that destination, another tap of the finger takes you to the next step, and the display changes into a camera screen with a grid. This is the

third difference. Now, you retrieve the article from the compartment and scan its bar code with the camera. Not an easy feat, the first time you try it, but after the third attempt a message flashes: "Scan successful." A tap on the frame, and off you go to the next order.

This is how order picking using smart glasses works at Arvato SCM Solutions. Since the end of 2016, the Hightech & Entertainment department has used the innovative process for its client Sennheiser at the Gütersloh site, from which Arvato supplies European markets as part of its worldwide supply chain management for the renowned manufacturer of microphones and headphones. The project is called "Pick by Vision": Employees carry out the picking process, i.e. the retrieval and recording of an ordered item from the stocks, using the information displayed on the data display.

"The technology navigates the employee through the process and ensures that their hands are kept free," explains Alexander Jeske, Head of Innovation at Arvato SCM

Solutions Hightech & Entertainment. "Ideally, in the long term, we want to use it to optimize our processes and underscore our innovative capacity." At this point, Arvato uses the smart glasses only for Sennheiser, and only at the Gütersloh site. The project serves to get to know the new technology, to identify strengths and weaknesses, and to find the best way to integrate it into the overall logistics process. "It is clearly still at an experimental stage, not a standard process," emphasizes Jeske.

Which is why Arvato SCM Solutions currently uses just two pairs of smart glasses. They are based on Google Glass technology, specially adapted to meet the requirements of the logistics industry by the software developer Picavi. Besides "Pick by Vision," Jeske and his team are also looking at several other processes designed to facilitate picking for staff using various signals. "Pick by Voice," for example, talks you through the shortest route to the storage location. Meanwhile, "Pick by Light" uses multicolored illuminated panels to show which compartment the next article is located. This is particularly suitable for picking jobs that are carried out in a small area where all the shelves are in view. However, it makes little sense when the storage locations are separated by larger distances. Each method has its pros and cons. According to Jeske, it is always a question of figuring out which technology makes the most sense for which process. The most important thing, he says, is that it "brings a tangible benefit for employees, and that they accept the device."

**"It's definitely  
still a sandbox"**

**Alexander Jeske**

Most of the feedback from his colleagues in picking is positive. They say it is very practical to have both hands free, and that the process is intuitive and easy to learn. Apparently, they got used to wearing the apparatus very quickly – but that at first it took several attempts to scan a QR code using the integrated camera, as the perspective was unfamiliar, and the display is relatively small. For this reason, some employees use a ring scanner on their arm in addition to their smart glasses, because they can work faster using the familiar tool. “Given the rapid progress made in this technology, further improvements are likely to be made soon, and we’re excited to see how much value they will add,” says Jeske.

Sennheiser had initiated “Pick by Vision” to test the expectations under real working conditions and explore the possibilities of the technology, and it found a like-minded project partner in Arvato. “We’re delighted to have a service provider like Arvato at our side, one that not only shares our attitude to innovation and development, but actually invests in putting it into practice,” says Günther Maaß, Global Logistics Manager at Sennheiser.

Arvato’s competitors now use the process too, Jeske says. “But we were one of the first, which gave us a small but not insignificant lead.”

### **Continuing experimental phase**

The response to “Pick by Vision” encourages him to continue the experimentation phase: “Both the market in general and our clients in particular take a very positive view of the project and monitor our progress with interest. The high level of curiosity is shown in the many times we’ve already demonstrated it to our clients here.” Jeske adds that it is quite conceivable that in the foreseeable future Arvato’s other two Sennheiser sites – Pleasant Prairie (Wisconsin) in the United States, and Hong Kong – will introduce the smart glasses to complement existing technology. Other Arvato SCM Solutions business units are also eager to benefit from the technology and have begun to test its use for their daily processes.

In any case, Jeske sees “Pick by Vision” as just the beginning of this development: “When augmented-reality technology comes into play here, it will open up some very exciting possibilities.” The smart glasses could, for example, show employees the shortest way to the next shelf in real time, or how they can stack several items on a pallet to save space. “It would be a bit like playing Tetris,” grins Jeske.

Smart glasses won’t be the only innovative technical aids available to logistics service providers going forward. “We’re simultaneously looking at a lot of trends and initiating pilot projects to assess the potential of digital and



**Yüksel Dogan** takes ordered items from the warehouse and records them using the information shown in the display of the smart glasses.



“We’re looking at many trends at once”

**Alexander Jeske**

machine-assisted processes,” says Jeske. For instance, he and his team are working with colleagues in the Logistics Engineering department to examine the viability of various automated picking systems that use robots to retrieve the goods from the storage location and transport them to the packing station. Another possible idea – albeit not one that will be realized anytime soon – is the use of drones to transport articles by air, especially at peak times. In another pilot project, Arvato is fitting packages with intelligent GPS transmitters that not only track the delivery route in real time but also record external influences, such as impacts caused by injury, falls, extreme temperatures or unauthorized opening. Meanwhile, major advances in 3-D printing open up new options in the supply of spare parts. And finally, megatrends like big data, artificial intelligence, the Internet of Things and mobility offer a wide range of touch points for logistics services providers.

### **Innovative companies**

Given this broad spectrum of options, Alexander Jeske and his team cannot complain about a lack of work. They have set up the Innovation Lab, an ideas workshop where they are constantly experimenting with new approaches that will ideally be turned into concrete projects. In addition, they organize innovation workshops with clients in order to jointly initiate new ideas – as in the case of Sennheiser and the smart glasses. Be open to new ways of doing, is their motto. “Innovation is a core element of our strategic vision,” says Jeske. “We want to use it to create a competitive advantage for ourselves and our clients, and promote Arvato’s perception as a highly innovative company.” No one can say with certainty what devices will help a product get from A to B in the future – glasses, drones, robots or other things that haven’t yet been imagined.

Which is why, at Arvato SCM Solutions, the smartest option is to keep your eyes open – and not just when wearing smart glasses. ■



**Niels Kortlang** (left) and **Yannic Schröder** of Arvato Financial Solutions, right: **Katja Zaykova** of Solaris Bank



# Convenient Interim Financing

Private customers have appreciated the Internet as a shopping paradise for years. Companies, too, are increasingly using online marketplaces to purchase, among other products, office supplies, laptops and smaller spare parts – preferably on account. However, especially for smaller sellers in these online marketplaces, the target invoice repayment periods of up to 30 days are often a challenge, causing a shortage of working capital for new purchases or investments during this latency. Arvato Financial Solutions, together with Solaris Bank, has developed a practical and innovative solution to provide liquidity to sellers during such invoice latency on a major business-to-business (B2B) e-commerce platform.

→ **FROM PAPER TO TABLETS TO SCREWS**, if companies search online, they will usually quickly find the items they need. A particularly large selection is found in online marketplaces, which serve as a platform for many different sellers to sell their goods and services. Advantages of such marketplaces for sellers include visibility on a frequently visited platform as well as billing systems that handle the payment process. These marketplaces are also convenient for buyers for many reasons – one of which is that they can take up to 30 days to pay for purchased items. However, for many sellers, delayed payments are a problem, because the sellers cannot afford to wait – or simply don't want to wait – until the goods are eventually paid for by their customers. Instead, they would rather have the money immediately, in order to restock products, pay bills or use the money to expand their business. This is where

Arvato Financial Solutions enters the equation: Together with Solaris Bank, in which the Solution Group acquired a stake at the beginning of this year, the financial experts offer a solution that gives sellers immediate access to liquidity.

This financing alternative allows the seller to pay for outstanding invoice amounts due through a framework loan. “Arvato Financial Solutions thus extends its service portfolio with a lending service, more precisely the intermediation of global credits with Solaris Bank, via an Arvato Financial Solutions-branded website,” says Yannic Schröder, Director of B2B Finance at Arvato Financial Solutions.

The Solution Group has been in the factoring business for decades. Here, the focus is on the actual sale of receivables for goods and services for an immediate financing of the receivables, with the buyer taking over the risk of default on the receivables. In factoring, Arvato Financial Solutions takes over the outstanding debits, and the clients’ debtors pay

the amounts due directly to Arvato. “That is the regulatory framework that governs us as a financial services institute under the supervision of BaFin and under license law in Germany,” continues Schröder. BaFin is the acronym used for Germany’s Federal Financial Supervisory Authority. “Offering our own solution, which would be granting loans to sellers, requires a full banking license, which in turn is subject to a variety of regulatory requirements.” However, last year Arvato Financial Solutions found an ideal partner in Solaris Bank, which, with a combination of its own full banking license and state-of-the-art technology platform, precisely fills this gap. “This is one of the reasons Arvato Financial Solutions spent a double-digit million sum acquiring a stake in the Berlin-based financial technology ‘fintech’ start-up at the beginning of this year,” says Schröder.

“The partnership between Arvato Financial Solutions and Solaris Bank opens up new opportunities for both companies to offer services that are designed for major customers like the big e-commerce platform provider and further internationalization, and which from a regulatory perspective require a banking license,” says Katja Zaykova, Senior Partner Manager at Solaris Bank.

Arvato Financial Solutions has supported this particular global e-commerce company in a wide range of areas and in many countries for some time

**“We’re the contractor as well as the broker and technical services provider”**

**Niels Kortlang**

now. As an example, the Solution Group handles its financial customer service and accounting, as well as receivables management for overdue payments. “And in Germany, since fall 2016, we have run credit-risk assessments of client companies when they buy on account, which is a popular option there, for the e-commerce platform,” says Schröder. To date, more than 120,000 assessments have been carried out so far.

As part of this proven collaboration, the e-commerce platform now wanted to offer its sellers, via Arvato Financial Solutions, the opportunity of a financing solution to provide customers with instant liquidity. As described above, purchase on account, with payment targets of up to 30 days, can pose a challenge for sellers. The aim of the Arvato Financial Solutions project, which was initiated in spring 2017 and has been successfully tested and completed in just a few months, was to make this method of payment more appealing by ensuring that their invoices were paid promptly.

### Credit check in seconds

Here’s how it works: Sellers who are interested in such a loan click on a link of the relevant page on the e-commerce platform’s site, which takes them to a front-end in the Arvato design. Incidentally, this is hosted on Arvato Systems servers, and Arvato Systems colleagues were involved in developing the applications and interfaces. On this site, the seller enters his or her information, and their creditworthiness is reviewed on behalf of Solaris Bank. This usually happens within a few seconds, using automated Arvato Financial Solutions processes and based on extensive data, which is obtained from the database of the relevant Arvato Financial Solutions subsidiary and also purchased externally from service providers.

Based on this credit assessment, the loan application is forwarded to Solaris Bank, which also subjects the applicant to a review, again usually in a matter of seconds. This review centers especially on the identity of the company and its management (“Know Your Customer” process). At the same time, the maximum amount of a future framework loan is determined using a pre-defined matrix. Once approved, the seller can interim-finance invoices up to this maximum amount until the seller’s customers pay according to their payment terms. Solaris Bank, as the actual lender, makes the final decision on the loan, and notifies Arvato Financial Solutions that the loan has been granted. From there the information is forwarded to the seller.

“We are both the contractor of the e-commerce platform, and the broker and technical service provider of Solaris Bank,” explains Senior Project Manager Niels Kortlang. Solaris Bank immediately pays out all monies that



With the innovative solution of Arvato Financial Solutions, sellers on a large B2B e-commerce platform can get interim financing from outstanding invoices. Right: the headquarters of Arvato Financial Solutions in Baden-Baden



“We already have a lot of exciting ideas”

**Yannic Schröder**

were generated by sales on the online marketplace, up to the maximum amount proposed by Arvato Financial Solutions, which were applied for by the seller and approved on the Arvato front-end. Solaris Bank then conveniently debits these sums from the seller's account after 45 days. The buyers must have paid their invoice by the end of this period – the settlement is handled concurrently and directly via the e-commerce platform itself.

### **Ideal starting point for further projects**

“Now we hope that the new offer will be well received by sellers on the platform,” says Kortlang. Following its successful launch, the offer, which is initially limited to the German B2Be-commerce platform, is to be extended to the soon-to-be-launched sister platforms in Britain, France, Italy and Spain. “Our solution is highly scalable, so it is not only designed for higher credit balances, but also transfers well to other countries,” says Kortlang, giving an outlook on the months ahead. However, this involves adapting the front-end and its supporting processes – for example, for rating the creditworthiness of the client companies – to the respective local conditions. Beyond the extensions for the existing e-commerce platform, the solution – as a pilot project with the technologically advanced Solaris Bank – is an ideal starting point for further projects. “We already have a lot of exciting ideas about transferring this solution to other e-commerce players,” says Schröder. ■

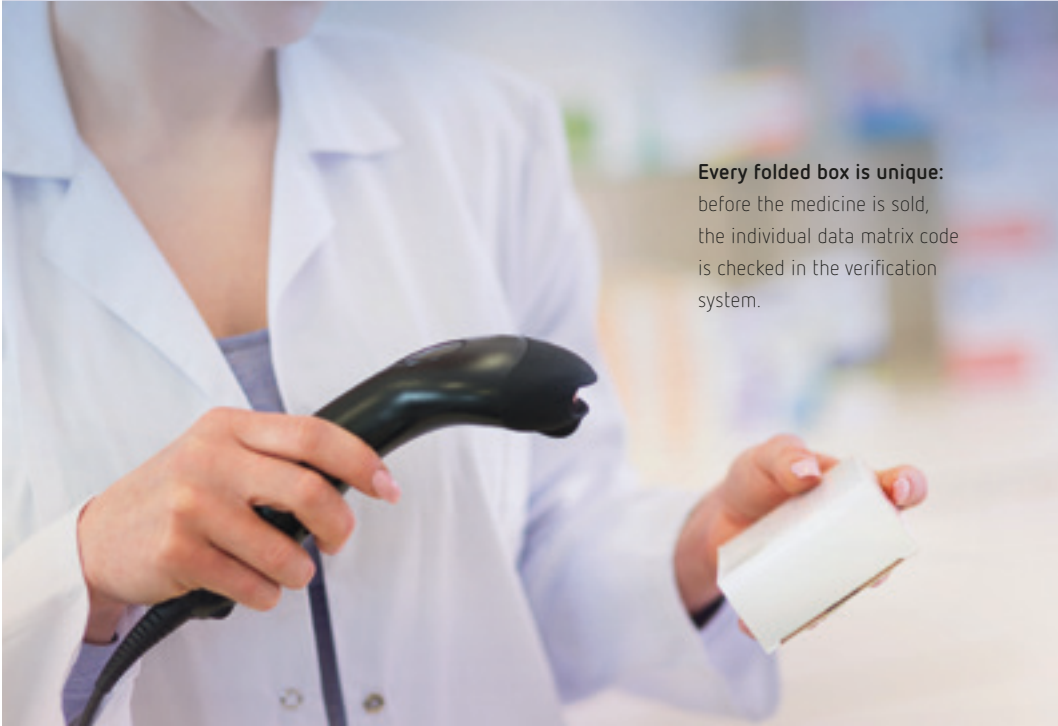


**Rudolf Henschel**, Head of Sales and Business  
Development Healthcare at Arvato Systems

# Combating Counterfeit Medicines

Large-scale pharmaceutical drug counterfeiting is a problem for many countries around the world. The IT service provider Arvato Systems offers comprehensive software solutions for the “serialization” of medicines in the healthcare sector, which are intended to stop the counterfeit drugs business. In the process, the Gütersloh-based company relies on a team of serialization experts who have implemented numerous international projects.

→ **ONE KILOGRAM OF FAKE VIAGRA** costs more on the black market than the same amount of cocaine: €90,000 on average according to the German Association of German Pharmacists (ABDA), compared to €65,000 on average, for a kilo of cocaine. The counterfeit drugs business is lucrative, and it is not limited to “lifestyle” drugs like Viagra or weight-loss products. Whether it is cheap painkillers, expensive drugs used in HIV or cancer therapy, anti-malaria drugs or antibiotics – the trade in counterfeit medicines has grown considerably in recent years. The fake drugs reach patients not only through unauthorized pharmacies or online portals; using of forged documents they even penetrate legal supply chains and thus infiltrate wholesalers and pharmacy networks’ supply channels.



**Every folded box is unique:**  
before the medicine is sold,  
the individual data matrix code  
is checked in the verification  
system.



**“The database helps analyze  
and optimize processes”**

**Rudolf Henschel**



With a comprehensive software solution, Arvato Systems is helping numerous countries around the world curb the counterfeit medicines business. “Serialization in drug production” is the catchphrase, which is becoming increasingly important in Europe.

Based on the European Falsified Medicines Directive (FMD), which was adopted in 2011, the European Union published a regulation last year, which provides for the clear labeling of prescription medicines in all European countries using individual serial numbers. Consequently, beginning February 9, 2019, only medicinal products bearing an individual serial number as a security feature may be sold. This ensures that every package of drugs is one-of-a-kind, and its authenticity must be checked before it is sold.

This is done using a national verification system. All EU countries are obliged to set up such a system – again, by 2019 – where all data on a medicinal product, including the serial number of each package, is stored at the national level for verification purposes. Germany was one of the first countries to implement this directive. In 2012, it set up a national verification system as part of the Securpharm initiative and selected Arvato Systems as a service provider to operate the IT solution.

### **Arvato Systems as official “blueprint provider”**

Since 2015, Arvato Systems has been the official Blueprint Provider of the European Organization for Drug Testing (EMVO) and handles the operation of numerous national verification systems. For example, shortly after Germany, France, Spain, the United Kingdom, Austria, Norway, Finland and the Netherlands also decided to entrust the technical setup and operation of their national verification systems to the IT experts at Arvato Systems. This means that, as of 2019, the data of more than 80 percent of all packages of drugs in Europe will be managed by Arvato. Approximately 90 Arvato Systems employees are now involved in services related to serialization solutions for drug production.

One of them is Rudolf Henschel, Head of Sales. “We were doing product serialization long before it became relevant in the pharma industry,” says Henschel. “For example, we had already gained a wealth of experience in serialization, data management and track-and-trace from software products for our client Microsoft, and in the insurance sector.” So, Arvato Systems was one of the first companies with sufficient experience when the European pharmaceuticals industry voiced a need for product serialization in connection with implementing the EU Falsification Directive. With the Arvato Corporate Serialization Database (Arvato CSDB), the experts at Arvato Systems also

provide a complete IT solution to support individual pharmaceutical companies at various levels in the serialization process.

The database solution pools all of a drug's master data, including the required serial number, and forwards it to various packaging lines, which print the folding boxes with an individual data matrix code that ultimately contains not only the serial number, but also a product code, batch number and the expiration date of the drug. Via an Arvato CSDB interface, the printed data is transmitted to the national verification systems, so that the drugs can be checked for authenticity at any pharmacy.

Thus Arvato Systems contributes to the protection of medicines on a couple of levels:

First, as a technical operator of the national verification systems that are used to check serial numbers at country level. Second, by using the Arvato CSDB to connect everyone involved in the production of drugs – manufacturers, suppliers and customers; by serializing the medicinal products; and by making the production process as well as the supply

path trackable and traceable. Since most of the IT subsidiary's customer base also has operations outside Europe, the Arvato CSDB is used in a number of countries around the world, including the United States, China, Korea and Turkey. "The database also helps our customers to analyze and optimize processes," says Henschel. "For example, we were able to find that, on average, a drug is in transit for 140 days from date of manufacture to date of sale."

The amount of data the software system processes is hard to visualize. In Europe alone, 10 to 15 billion prescription drugs are produced per year. "And the market in Europe is small compared to the United States or China," says Michael Horstmann, Sales Manager for national verification systems. But the size and complexity of the market aren't the only big challenges for the Arvato subsidiary. "For one, the state of digitalization varies widely from one pharmaceutical company to the next," says Horstmann. "Some still manage their information on paper. So, we're dealing not just with serialization in drug production, but with nothing less than the digitalization of the pharmaceuticals industry."

Michael Horstmann is convinced that other industries will eventually need serialization as well: medical products, for example, or even consum-

**"This is about  
nothing less than  
the digitization of  
the pharmaceuti-  
cals sector"**

**Rudolf Henschel**

er products. He says that the basic framework is in place for offering serialization outside the pharmaceuticals industry as well, and merely needs to be adapted for the respective market.

### **Detailed information about medicines for the patient**

There is still plenty of opportunity in the pharmaceuticals industry. For instance, Arvato Systems is working on solutions that help patients handle medicines. Patients can use their mobile devices to obtain detailed information about medication by scanning the code on the back of the package. Thanks to the serial number, information about using the drug – tailored to the patient – can be provided. Beyond this, the patient can give valuable feedback to the pharmaceutical company.

The pharma sector's transformation to digital is still in its infancy in many areas – but the serialization of drug packages is a first major step toward digitalization, and as a dynamic IT partner, Arvato Systems plays a formative role in it. ■



**Detlef Eifler**, responsible for quality assurance at Sonopress

# No Can Do? No Way!

With the production of Ultra HD Blu-rays, Sonopress has become a pioneer in opening up an emerging market. A decisive factor for this was the innovation of its employees. Because the right manufacturing machines were not yet available, they built one themselves without further ado, and as a result they attracted much industry attention.

→ **IT IS DIFFICULT TO FOCUS ON THE VIEW.** Dozens of silver shiny discs move swiftly and precisely from station to station. They are transported, turned, stacked and processed by gadgetry in a wide range of shapes and sizes. Though they may look like ordinary DVDs or Blu-ray discs, the optical data carriers running through the 6 x 6 meter (20 x 20 feet) machine at the main Sonopress plant in Gütersloh represent the latest generation in entertainment media: Ultra High Definition Blu-rays (UHD-BD). With a storage capacity of up to 100 gigabytes, they enable users to watch movies in a maximum resolution of 3,840 x 2,160 pixels – four times that of a conventional Blu-ray disc.

Sonopress can produce up to 10,000 of these discs on the machine in a 24-hour period. What is special about this is that the machine wasn't shipped and assembled on-site by a manufacturer, as is usually the case; this one was built and configured in-house by the company's own employees. "There were simply no machines on the market that could meet our requirements, so we

got to work building one,” says Frank Tappe, head of the Process Technology department at Sonopress.

Some modifications to the plant’s facilities for manufacturing standard Blu-rays with a capacity of 50 gigabytes (BD 50) made it possible for the machines to produce 66 gigabyte Ultra HD Blu-rays (UHD-BD 66), but the existing technology simply wasn’t sufficient for the current nonpareil in data discs, the UHD-BD 100. “The goal was to set up production for the UHD-BD 100 as quickly as possible, to give us a competitive edge,” says Detlef Eifler, describing the initial situation. As the person responsible for quality assurance at Sonopress, he played a key role in this project.

A look at the technical composition of a Blu-ray disc helps to understand the challenge Eifler and his colleagues faced. Like a CD or DVD, it is a digital optical storage medium. The data is stored in one or more layers, each consisting of microscopic grooves and ridges known as “pits” and “lands,” in technical jargon. When the light from a laser hits a layer, it is reflected off a pit and blocked by a land. This creates a digital binary code of zeros (no light) and ones (light), which make up the data that is combined into a movie or video game when the disc is played. With Blu-rays, the distance between the pits and lands is five times smaller than on a CD, allowing more information to be stored on it. A short-wave laser precisely scans these fine structures with light that glows blue-violet due to its wavelength – hence the name Blu-ray.

“That gave us a big dose of motivation”

Detlef Eifler

The second factor that affects capacity is the number of layers: 25 gigabytes can be stored on a single-layer Blu-ray layer and up to 66 gigabytes on a double-layer disc. For a 100-gigabyte Blu-ray, three layers have to be applied in quick succession. But Sonopress lacked the equipment to produce this triple-layer version. Ideas were needed.

“At first, we thought of distributing production to two devices, producing two layers on one machine and the third on the second,” says Tappe. “But then we came up with the idea of combining the two machines and building a new, contiguous production line.” That was in October 2015. Immediately after coming up with the first viable concept, Sonopress presented the idea to Warner Bros. – as one of the six largest film studios in the United States, it is a key customer for the replication specialists from Gütersloh. “Warner Bros. was impressed by our proposal, which of course boosted our motivation no

end,” says Eifler. The whole team worked feverishly over the winter to prepare the new system for use – all of it during regular operations. “Fortunately, we had already completed the holiday season business at that point,” recalls Tappe with a smile.

This wasn’t the first time Sonopress had modernized existing technology itself. “There were no suitable machines on the market when CD and later DVD production began, either, so we built the first machines ourselves at the time,” says Tappe. “It was only when manufacturers had suitable models on offer that we bought them.” So the team, which consists of many long-standing employees, already had some experience. Tappe says that in putting the idea into practice, the mechanical work (i.e., assembling the components) was the comparatively simple part: “Programming the software was much more difficult. We had to teach the two machines to communicate with each other. Besides, we were racing against time.”

### **First orders from Hollywood**

Warner Bros. was so impressed with the success of the UHD-BD production “made by Sonopress” that the Hollywood studio immediately placed its first few orders for spring 2016. However, the smooth operation of the new machine alone wouldn’t have been sufficient to start; Sonopress needed certification by the Blu-ray Disc Association (BDA). The industry association, in which all well-known manufacturers of entertainment electronics are represented, establishes standards for formats, monitors them and grants licenses based on this. No certificate, no production, so the required specimen copies of the BD 66 and BD 100 needed to be sent to the BDA as quickly as possible.

It was anything but helpful that the supplier of the matrices suddenly stopped delivery, without warning. The matrices are made of nickel and are used as printing plates, so to speak, to which all the information that is later contained on the Blu-ray is transferred. “This put us into a bit of a lather/panic,” recalls Eifler. Jörg Dickenhorst, Co-Managing Director of Sonopress, contacted a Japanese manufacturer who supplied the Gütersloh-based company with new matrices. “Without that agreement, we would have been stranded,” says Eifler.

The Sonopress team waited tensely and with growing impatience for the industry association’s decision. Detlef Eifler kept contacting the BDA to find out how things were going. The relief when the e-mails giving them the green light arrived in his mailbox was immense. Sonopress received its certificate for UHD-BD 66 production in early February 2016, and for the UHD-BD 100 in mid-May. The team immediately powered up the new machine. “Man of Steel”



“There simply  
were no machines  
on the market”

Frank Tappe



**Five-million mark broken::**  
production of Ultra HD Blu-rays  
at Sonopress





and “Superman vs. Batman” were among the first movies Sonopress produced on behalf of Warner Bros. as a UHD-BD 100 for the US market. By September 2016 Sonopress had shipped one million discs in the UHD-BD 66 and 100 formats. A year later, it has shipped five million. The market is still small, but growing rapidly.

“It was the right decision to focus on production of the Ultra HD Blu-ray,” says Sonopress CEO Sven Deutschmann. “The format represents a quantum leap in the development of digital storage media. We’re very proud to be a trailblazer for the entire industry in this innovative technology.” Frank Tappe estimates that building its own fully automated production line gave Sonopress a good six months’ lead over the competition. A decent window for acquiring orders. “We are currently the leading manufacturer of UHD-BD 100 worldwide,” emphasizes Deutschmann.

### **Quantum leap in the development of digital storage media**

For Sonopress the new discs are a resounding success. The entertainment industry is relying on media produced in UHD or 4K to sell high-definition TVs and also to re-market older blockbusters in even sharper, more colorful new editions. Video games will also be increasingly released in 4K. Microsoft, another major Sonopress customer, has fitted its new Xbox X console with a UHD-BD drive. Since only very few private Internet lines currently have sufficient bandwidth to smoothly download 4K content, physical data carriers have a competitive edge over streaming services in this area.

Sonopress’s achievement has not gone unnoticed in the industry. At the beginning of 2017, the Digital Entertainment Group (DEG), a US industry association, presented Sonopress with its Digital Product Innovation Award for its role in the introduction of the Ultra HD Blu-ray. So many orders have now been received that production with one machine is already reaching its limits. “In July we set up a second plant, and we’ve already prepared plans for a third,” says Tappe. In order to have to buy as few parts as possible, the team is moving machines from Australia and the United States, where they are no longer required, to Gütersloh. However, additional investment is also planned, such as in improved measurement technology for quality control.

Besides the gratifying order pipeline, the Sonopress team’s talent for improvisation while setting up UHD-BD 100 production has had a positive side effect, as Detlef Eifler notes: “In the course of the project, we felt a pioneering spirit that we last had during the early days of CD production in the mid-1980s. It’s a good feeling.” ■



**David Silver**, head of the Udacity Self-Driving Car Program, next to a self-driving car

# At the Center of the Revolution

In 2016, the online university Udacity became a global pioneer with the launch of its new Nanodegree (condensed degree program) for self-driving car engineers. Today, thousands of people around the world benefit from the innovative IT training – as do the automotive and technology corporations that are urgently seeking such experts.

→ **DIGITIZATION IS INCREASINGLY IMPACTING** the world of technology itself as well. The rapid advance of digital can be seen, among other things, in the fact that some IT experts believe that even the design and manufacture of computer chips is no longer one of the most promising emerging industries. In their opinion, people's visions of the future are now fueled instead by increasingly complex software applications for industry and everyday life. One of these IT experts is George Sung, a young American who graduated in 2009 with a degree in computer and electrical engineering, and then spent a couple of years

working for the US chip manufacturer AMD before deciding to shift his focus to more future-oriented fields. Fields that will revolutionize our world, like artificial intelligence and self-driving cars. He found an ideal way to study and acquire training in these emerging disciplines: the practically unique Nanodegree programs offered by the online education provider Udacity – one of whose biggest strategic partners is Bertelsmann. Nor has George Sung regretted his decision: He promptly got an attractive job with the carmaker BMW at its technology center in Silicon Valley, California.

“Around late 2014 I started feeling the semiconductor industry was stagnating,” the Udacity graduate recalls in his post on Medium.com. “And I wanted to be in an industry with high growth potential.” At the time, massive open online courses (MOOCs) were very popular – free, downloadable university lectures. Stanford professor Sebastian Thrun was a pioneer in MOOCs who in 2011 founded the online education provider Udacity based on his experience with such courses. Sung would soon encounter Udacity in his research. “In any case, I learned a lot about topics such as web and Android development, machine learning and artificial intelligence, and in this way found out what interests me the most,” he said, describing his decision-making process. He soon realized that he wanted to work in the areas of machine learning (ML) and artificial intelligence. When Udacity launched its compact course on machine learning in September 2015, complete with a Nanodegree certificate that had just been accredited by the IT industry, Sung signed up.

“I wanted to work in a field with high growth potential”

George Sung

“I had briefly considered studying at a traditional university, but would rather not because of length of time it took to complete the course, the high course fees and unpredictable job opportunities,” says the Udacity graduate. However, studying at Udacity takes only six to nine months, costs from \$200 a month – and thanks to the university’s partnership with well-known IT companies, practically comes with a built-in job guarantee, as it later turned out. After Sung had handed in his notice in January 2016 following six years at AMD, and he devoted himself to machine learning and a front-end developer Nanodegree in the following months. Then in September 2016, Udacity announced another exciting Nanodegree: in self-driving cars – the only one of its kind anywhere in the world.

Sebastian Thrun himself presented this new course to an audience of more than 3,000 IT experts from all over the world at one of the famous “TechCrunch Disrupt” conferences in San Francisco in September 2016. He also presented a car that was equipped with the appropriate autonomous vehicle software and, as he said, played a decisive step in the realization of his life’s dream, in which people don’t necessarily have to own a car, but simply call one when they need it, and which then automatically drives them to their destination. “The market for self-driving cars is huge,” said Thrun at the conference. “Technology corporations, carmakers, media companies and start-ups around the globe are working to advance the development of the self-driving car, whether through hardware or software. All they need are talents.”

And through Udacity, anyone, anywhere in the world can become one of these talents and earn the qualifications. From career starters to career changers, all they need is an Internet connection.

### **First job offers during the wrap-up phase**

The media response to the launch of the program was huge, as was the level of interest from the target group in question. “In no time at all, around 30,000 people from all over the world applied,” says David Silver, head of self-driving cars at Udacity. “About 7,000 of them have been selected and enrolled in the program already.” This makes the Self-Driving Car Engineer Nanodegree one of Udacity’s most popular courses ever, he adds.

Meanwhile, the graduates’ career prospects are getting better and better. “It’s not unusual for students to get their first job offers before the final phase of their course has ended,” explains Silver. One of the reasons for this is that Udacity’s many partners are involved in developing the curriculum, and Sebastian Thrun personally keeps an eye on it as well. All this helps to focus the degree as closely as possible on the requirements of business, as well as keeping it constantly up to date. It also brings the students into contact with industry experts – and they remain in contact out of mutual interest. In the case of the Self-Driving Car Engineer Nanodegree program, the number of partners Udacity works with has surged. In early 2016, there were five; now there are over 50, and the figure is rising.

“To me, the most interesting application of artificial intelligence is in robotics, and self-driving cars are a timely and incredibly useful application of that,” says Sung, adding that he was all the more delighted that his application for this completely new course at Udacity was accepted, and he was enrolled in the first group of students. The degree program started in October 2016.



**The Udacity team**  
in front of a self-driving car — in the middle is Udacity founder Sebastian Thrun. Bottom picture: Udacity graduate George Sung



“The market for self-driving cars is huge”

**Sebastian Thrun**

“And it got straight to the point,” he said, summing up the first few months, during which he completed a series of projects, i.e. programmed applications for topics including basic lane detection, traffic sign classification and behavioral cloning – the basics, that is, of what cars need in order to be able to move around autonomously on the road. In order to make the training as practical as possible, Udacity has its own self-driving car that the students can use to test code in an actual vehicle.

During his studies, Sung engaged with the online education provider’s various career-planning services. “The Udacity staff gave me lots of advice, for example on my resume and profiles on major online careers networks,” he says. He was also given the opportunity to mentor other Nanodegree program students.

In January 2017, Sung was finally ready to apply for jobs – preferably those that involved self-driving cars, of course. He used online careers networks Udacity’s own career services, and he applied directly through company websites. “In all, I actively applied for about 90 jobs,” says Sung. His applications resulted in nine interviews. “In my mind, this was a pretty good conversion rate,” he says. “After a job search of only two months, I ended up with four job offers from companies, all of them interesting, from which I then chose a full-time job at my top favorite, BMW” – where Sung now works on machine-learning processes in self-driving cars.

### **Udacity as an ideal source for urgently needed experts**

The fact that he ended up at BMW is no coincidence. The German car manufacturer, like Mercedes-Benz, Nvidia and many other renowned corporations, is among the companies that work closely with Udacity on the Self-Driving Car Engineer Nanodegree program. “For them, Udacity is the ideal source for the urgently needed experts in this field,” says Silver. So the online learning company and its partners not only collaborate on the content, but Udacity also connects Nanodegree graduates with employers hiring in the field. “This point is very important to us,” explains David Silver. “We want to help our students get an interesting job as quickly as possible, not only with our industry-focused content, but also with our extensive network. This is another reason why more and more people are interested in studying at Udacity.” Udacity’s growth is fueled by future-oriented courses like the Self-Driving Car Engineer Nanodegree, but also by its branches in Berlin, São Paulo and Beijing. “Especially in South America, enrollment is on a steep rise,” says Shernaz Daver, CMO of Udacity. In total, Udacity has eight million course enrollments since it was founded six years ago, and over 10,000 students have completed

Nanodegree programs to date. The completion rates for Udacity's Nanodegree programs are much higher than free courses.

"Although some may have thought this was a strange decision, to plunge into the unknown and quit my safe full-time job to study machine learning at Udacity, I have no regrets," says George Sung. "I'm now surrounded by lots of incredible people and fascinating technology. There's so much to learn and so much room for innovation – I'm looking forward to the future!" ■







**Dario Nardella**, Mayor of Florence,  
**Giuseppe Sala**, former Mayor of Milan, and  
Mobike founder **Hu Weiwei** (from left)

# The Fourth Generation

Mobike, a start-up that has since risen to become the Chinese market leader, plans to revolutionize bike sharing with innovative new approaches: smart technology designed to make using the specially designed bicycles even more appealing. And not only in big cities in China, but in many other locations around the world. Bertelsmann Asia Investments (BAI) concurs that this could be a promising business model.

→ **URBAN COMMUTING IS RARELY A PLEASURE**, especially in big cities: Driving your own car is not cheap; traffic jams are time-consuming; exhaust fumes pollute the air; and parking can test your patience. Taxis are much more expensive and do nothing to eliminate exhaust fumes. Public transport is much more environmentally friendly, albeit not always quicker, especially when you also need to travel to and from the station or bus stop. In principle, cycling is the perfect way to go in all respects – but not for longer distances. What to do?

Hu Weiwei, Davis Wang and Xia Yiping explored the problem extensively before launching their start-up Mobike, in Beijing in January 2015. The company offers a new approach to bike sharing – the intelligently organized borrowing of bikes in urban areas – that is particularly innovative because of the underlying technology. The young company’s founders want to make bicycles easily and conveniently available to all their users for shorter distances, wherever and whenever they are needed – and ultimately to improve the quality of life in the city.

“Mobility is one of the basic human needs in everyday life,” explains Hu Weiwei. “We’ve found that in cities in particular, this need is acute for short distances of up to five kilometers. However, we feel that at the moment there aren’t many opportunities to meet this demand – which is why we founded Mobike.” Among other things, Mobike users benefit from highly sophisticated algorithms built on big data analysis that help place the bikes exactly where they are needed. There are hardly any fixed borrowing or return stations – instead, Mobikes can be located at all the same accessible and permissible places as conventional bikes – often, of course, in particularly highly frequented locations. This is made possible by Internet of Things (IoT) technology that includes a GPS system installed in the bike and a smartphone app. “We are the only company in the world that operates with this kind of technology,” says Hu Weiwei. It allows Mobike to make ever-more-precise propositions and ultimately, predictions, about where the most important cycle routes through a city are and where bikes are booked most often. This includes parameters such as the time of day, location, number of rentals and returns, the density of traffic, and the weather, which also results in different behavior patterns.

“Mobility is  
one of the  
basic needs”

Hu Weiwei

“In the end, we can even contribute our experience to helping optimize urban traffic structures for bicycles,” says Hu Weiwei. “It will help the people in charge to make informed decisions about where to make routes more accessible or passable.”

The versatile app helps users find the nearest Mobike in the area – no problem, thanks to the GPS transmitter – and immediately make a reservation as needed. Once a bike has been located, the rest of the procedure is just as simple: A QR code on the frame is scanned to disable the bicycle lock – another of Mobike’s proprietary developments – and the user is ready to roll.

Upon arrival at the destination – which doesn't have to be a dedicated Mobike station – the user manually locks the bike. This automatically logs out the user from the bicycle and signals to other users that it is now available again. Meanwhile, the fee is deducted from the user's Mobike account in 30-minute increments using online payment services. A refundable deposit or credit card number must be registered before the first ride.

Mobike's founders have set out to make the bikes not only easy to find and book, but also a pleasure to ride. The GPS technology built into the smart lock is combined with a solid, custom-made aluminum frame, an advanced shaft drive, a single-fork front suspension and five-spoke wheels with airless, wear-resistant tires and a durable disc brake. According to Hu Weiwei, more than 30 engineering and design patents went into the production of the bike, with a view to ensuring that it can be ridden for four years without having to be serviced.

### **More than 30 technical and design patents**

The concept works, as demonstrated by research carried out with Beijing's renowned Tsinghua University. As of August 2017, Mobike users have collectively cycled over 5.6 billion kilometers. The company calculates that this corresponds to roughly 350,000 fewer cars on the roads, or avoiding 1.26 million tons of CO<sub>2</sub> emissions, based on an assessment of their first year of operations conducted with WWF China. And users' behavior has also changed dramatically: Thanks to Mobike, they cycle twice as often as previously, and the share of biking in their daily movement profile has doubled to around 12 percent. At the same time, car use decreased by 3 percent to just under 27 percent per day. In particular, rides in taxis and illegal motor rickshaws – a huge problem in China – were reduced by more than half.

Mobike has attracted a lot of positive attention from the Chinese government as well. At the November 2016 meeting of G20 Economic Ministers in Hangzhou, eastern China, the company was presented as a model of progressive, environmentally friendly transport. Earlier this year, Mobike CEO Davis Wang spoke at the Transformation Transportation Summit in Washington at the invitation of the World Bank and World Resources Institute, a nongovernmental US environmental think tank. Shortly after this, Mobike announced a strategic cooperation with the Taiwanese technology producer Foxconn.

The company can also count on the confidence of the investment industry. Mobike has already raised over a billion dollars from investors in a series of financing rounds – \$600 million in the last round alone (June 2017). Bertelsmann Asia Investments is one of these investors; the fund has par-



**Mobikes can now be found** not just in China but in many other countries too.



“We’re helping to optimize traffic structures”

Hu Weiwei

ticipated in several of the rounds. The reasons were good: “This money enabled us to establish a presence in all major cities,” says Annabelle Long, CEO Bertelsmann China Corporate Center and Managing Partner Bertelsmann Asia Investments. In Shanghai, Guangzhou and Beijing, more than 100,000 Mobike cycles are now on the road. “And it also allowed us to expand internationally.” Mobike took its first step abroad, to Singapore in March 2017, followed by Manchester, Florence and Milan, Sapporo, and then London in September. Many more cities are to follow.

### **Presence in all major Chinese cities**

Hu Weiwei reckons that Mobike is the “fourth generation” of this business model. “Bike-sharing started in the Netherlands in 1960, followed by further innovations in Copenhagen in 1990 and in Rennes in 1998. However, our model, consisting of flexible lending at theoretically any location where bicycles can be parked, and the related IT infrastructure, is the first that meets people’s mobility needs on short inner-city routes, to the greatest extent that this is possible today.” ■



**Harshvardhan Lunia**, co-founder and  
CEO of Lendingkart



# Loans for Small Business

India's economy is booming, but it could be growing even faster. The country's small and medium-sized enterprises (SMEs) in particular find it difficult to obtain money for investments. The financial services provider Lendingkart Group is about to change that with a clear focus on a growing need – and a technology that is revolutionizing the process of credit brokerage.

→ **AT FIRST GLANCE, THE SUBCONTINENT OF INDIA** is one of the world's most dynamic economies, having grown by 7.1 percent in 2016. Forecasts indicate that by the middle of this century, India will not only be the most populous country on Earth, but will also have the third-largest gross domestic product (GDP), after China and the United States. On closer inspection, however, it can be seen that this growth is very unevenly distributed. Corporations and state- or semi-state-owned enterprises, concentrated in big cities, form the economic cornerstones. SMEs, including in rural regions, would like to make a bigger contribution to GDP, but often lack the necessary capital to invest and

continue growing. Traditional banks, both private and state-owned, rarely grant them loans. Harshvardhan Lunia has stepped up to change this imbalance. He is co-founder and CEO of Lendingkart Technologies.

A financial services provider from the Fintech sector, Lendingkart Group brokers loans for SMEs in India. The process it uses is fast, data-driven and entirely digital. Founded in 2014, Lendingkart Group has granted 12,000-plus loans to more than 10,000 SMEs from more than 720 cities and 23 different industries. And the trend is rising, because the investment by Bertelsmann India Investments (BII) in the summer of 2016 not only gave Lendingkart Group fresh capital to expand its offer, but also gave it access to financial experts from the Bertelsmann network, especially at Arvato Financial Solutions. Lendingkart Group currently operates offices in Ahmedabad, Bangalore and Mumbai, and it employs approximately 350 odd people.

Before he decided to launch Lendingkart Group, Lunia had worked in the credit departments of private and international financial institutions for several years. “I witnessed for myself that founders or owners of small companies often don’t get loans even when they are creditworthy,” he says. “This is partly due to the fact that they don’t organize their accounting well enough. But the banks also sometimes contribute to the problem, as small loans aren’t lucrative enough for them, or because they take months to decide whether to grant a loan due to missing information.” The demand for start-up financing and investment loans in the country is huge. India has around 48 million SMEs. However, the traditional financial sector only covers 22 percent of the borrowed capital. Entrepreneurs get the rest from family members, friends, private lenders – or not at all.

Lunia wanted to open up a third path between traditional and unofficial sources of financing. He joined hands with his school friend Mukul Sachan, an IIM Bangalore alumnus and ex-ISRO scientist who had also worked for many years as a finance director. Together with Sachan as COO, he laid the foundation for the business model, which has been successful ever since. During the pilot phase, they talked to a lot of small businesses, so as to better understand their needs. They identified a high level of demand for loans with relatively short maturities as well as comparatively manageable sums. And

“The tedious paperwork we have to do is reduced to a minimum”

Harshvardhan Lunia

they also gained another important insight: “We were convinced that incomplete or entirely missing data is the main reason for loans not being given at all or only after a long waiting period,” explains Lunia.

With this in mind, the two founders decided to build an online platform for a quick, objective assessment of creditworthiness. It forms the heart of Lendingkart Group and gives it a technological edge over other credit providers. Anyone requesting a loan via a form on the website or mobile app must provide background information on the company and the type of business being funded. Applicants are also asked to upload some basic documents that provide information on their business situation. Contrary to many traditional lenders, Lendingkart Group is not interested in a business’s entire development since its founding, but focuses on current revenue and growth figures. “We’ve cut the necessary paperwork to a minimum,” says Lunia. Applying and uploading the documents takes no more than 15 minutes on average.

### **Objective assessment of creditworthiness**

This is where the analytics technology comes into play. Thanks to multiple third-party integrations, the technology can access information on the applicant and integrate it with its own data. Lendingkart Group uses more than 5,000 data points and a machine learning algorithm to evaluate the overall picture and decide whether or not a loan is to be granted, and if so, how high the risk of default is, which determines the interest rate. No additional collateral is required. “So our assessment of creditworthiness is completely objective and significantly faster than with traditional banks,” emphasizes Lunia. Within three days the money is in the accepted applicant’s account. Various repayment models are available to ensure the greatest possible flexibility.

“The number of loan applications is increasing every day”, says Lunia. In accordance with the requirements identified during the pilot phase, Lendingkart Group grants loans with terms of between three and 12 months, amounting to a maximum of one million rupees (€13,000 or \$15,600). For European or US companies, this might be “peanuts,” but for Indian circumstances, such sums represent capital that can really make things happen due to the country’s lower purchasing levels and prices – and it is nevertheless within the scope of the SMEs’ needs. “No traditional financial institution currently offers loans in this range,” says Lunia. Cornering this niche market, in combination with innovative analytics technology, is the key to Lendingkart Group’s success.

Although any new protagonist in the credit market is perceived as a competitor to established money brokers, the cofounder and CEO sees himself as



“We want to reach even the farthest corner of the country”

Harshvardhan Lunia



**Lendingkart provides loans** to small and medium-sized companies in India and thereby serves an important niche in the capital market of the country.

serving more of a complementary function. “Traditional banks and financial companies mainly offer loans with large volumes and long maturities, and focus on sectors and regions that already have sufficient access to borrowed capital,” explains Lunia. “We want to reach companies and cover parts of the country that have been neglected by the traditional financial industry and which aren’t their target group anyway. Given the huge demand for loans, we believe it is not only possible, but also necessary for established and new, alternative providers to coexist side by side, and all work in their own way to meet the demand.”

### **Investments in technical upgrades to the platform**

Lunia and his team realize that the path ahead of them is long. Nearly 70 percent of India’s population lives outside big cities and thus in regions that are often still an economic no man’s land. Industrial and manufacturing industries in particular are needed here to create jobs and prevent the prosperity gap between urban and rural areas from widening. “Our long-term vision is to replace the financing of SMEs by family, friends or private individuals with a simple, low-cost, fair and fast credit-brokering process,” explains Lunia. As a next step, the company plans to invest in the technical development of their platform, to retain the advantage of innovation leadership. Among other things, access to mobile devices is to be improved and expanded. The CEO wants more loans granted to more SMEs in more and more regions.

Lendingkart Group wants to grow alongside the Indian economy. “Our goal is to reach even the most remote corners of the country and ensure that every business has the chance to receive a loan,” says Lunia. ■



**Julio De Angeli**, CEO of Medcel

# Destination of Choice for Doctors and Students

The Brazilian online learning provider Medcel, founded in 2004, supports medical students in preparing for their exams and helps doctors become better medical professionals. To achieve its objectives, the company, in which Bertelsmann's BBI investment fund has owned a stake via the Bozano fund since spring 2016, now uses virtual reality as well.

→ **BRAZIL HAS EXPERIENCED DIFFICULT TIMES**, economically and politically, in recent years. However, the crisis has not hit all companies to the same extent. On the contrary. The online learning provider Medcel, for example, in which Bertelsmann's BBI (Bertelsmann Brazil Investments) fund owns a stake through the Bozano Educational II investment fund, was able to grow its business year after year. The number of medical students and doctors who use Medcel to prepare for their licensing or specialist exams has surged from 9,000 to over 15,000 in three years. "Education is always needed – in times of crisis as well as boom times," says Julio De Angeli, CEO of Medcel, explaining why he thinks the company is so successful even during the crisis. Medcel

has grown by an average of 50 percent during each of the past few years. “The opportunity is there – and our product is getting better and better,” believes De Angeli.

“Our product” mainly consists of many online video courses on topics covered in medical training. Medcel’s online library now comprises approximately 2,000 hours of professionally produced video content, along with numerous textbooks to accompany the individual courses. And the market for online education and training, known as distance learning, is growing steadily in this huge country, with its enormous distances. Following a powerful, government-sponsored push to expand medical education, some 120,000 students are currently studying medicine at 260 universities in Brazil. And while the students spend the first four years of their training together at the universities, they begin the last two years in school with practical medical training. During this phase many prepare for their upcoming residency examinations with the help of the Medcel video courses.

“We want to help doctors become even better doctors”

Julio De Angeli

Ideally, Medcel will accompany the medical professionals throughout their professional life. The distance learning company helps students at universities prepare for their examinations. It supports fledgling doctors in the next step, i.e. training to become a registered specialist physician. And it supports medical practitioners in their ongoing training and education. “We want to be the destination of choice for students and doctors when it comes to examinations, certificates and advanced training,” says Julio De Angeli, “and we want to help our country’s doctors to become even better doctors.”

To improve the training of the doctors as a whole was the vision that inspired the company’s founder, Atilio Barbosa, to establish Medcel in 2004. Barbosa was himself a physician, and wished to start practicing as a specialist, but didn’t have a way to complete the necessary training anywhere nearby. He recognized the market niche and began developing his own distance learning start-up. In the beginning, the participants accessed the distance courses by satellite; later, Medcel went online. “However, the basic idea of distance learning for medical professionals has remained the same,” says Julio De Angeli, “and we deliver the best teachers and the best teaching materials in the country for this purpose.” Apparently, a growing number of Brazilian medical students and doctors agree. Medcel, with its 110 employees and



approximately 50 teachers – nearly all of them practicing physicians, many of them at hospitals – now commands 12 percent of the market.

The entry of Bozano and thus of Bertelsmann as shareholders in spring 2016 marked an important turning point for Medcel. By taking this step, the company obtained not only fresh capital but also a great deal of professional know-how. “In the past, Medcel was a typical family business,” says Julio De Angeli. “Thanks to Bozano and Bertelsmann, we have become more professional in our structures and analyses, or simply put, in our overall governance.” For example, Medcel now has a supervisory board and a code for ethically appropriate behavior. Add to that the content-side input from the experts at Bozano, who are very well versed in the Brazilian education landscape and have excellent contacts. The company also benefits from Bertelsmann’s expertise in publishing and content creation, he says. “We have since fundamentally revised our structures and introduced new processes to make us fit for further growth,” says the Medcel CEO. For the distance learning provider’s business model is highly scalable; that is, it can easily be transferred to other fields and target groups – “provided we have the necessary structures in place.”

### **New business areas**

In addition to the range it offers directly to students and doctors, last year Medcel started exploring another line of business: the development of online courses for universities. A new law allows Brazilian universities to provide up to 20 percent of their learning content through online courses. “We have already been approached by various universities, especially private institutions,” says Medcel CEO De Angeli. Another new line of business is training for nurses and physiotherapists. “Here we have successfully offered first online video courses in emergency care practice,” says Julio De Angeli. “However, we are still sounding out this particular market.” The CEO believes that the training of healthcare professionals is a promising business, as Medcel will be able to draw on its existing expertise in terms of content, production of online video courses and marketing.

Besides addressing new target groups, Medcel also keeps adding new channels for reaching students and physicians to make learning even more efficient for them. This year, for the first time, the company offers a course where students can learn using virtual reality (VR). “Some of the most important medical examinations, both theoretical and practical, simulate specific disease patterns that the students need to respond to with the appropriate diagnosis and treatment,” says Julio De Angeli. Medcel has already simulated



these practices in online video courses in the past. “Using VR not only lets students practice administering the treatment, they can also experience the whole environment thanks to 360-degree simulation – this makes the training even more like real life,” says the Medcel CEO. The use of VR was very well received by the students. “This was the first time something like this was ever offered in Brazil, and the students love it,” says De Angeli. One result is that Medcel has been contacted by Samsung and is now working with the South Korean electronics manufacturer on a VR project at one of Brazil’s largest medical universities.

### Face of the company

In addition to VR, Medcel is also increasingly using social media to reach its target groups. “One thing we are working on is to give our teachers more visibility on channels like Facebook, because they are really the face of our company,” says De Angeli. Mobile is also becoming more and more important, as Medcel customers are increasingly using the services on mobile devices – not just at home, but also at the hospital or while traveling. “We provide a service; we want our products to help students become more efficient,” emphasizes Julio De Angeli. “In the end, we want them to say: Wow, that’s exactly what we need.” ■



**Zohar Dayan**, founder of Wibbitz

# Turning Text into Video

Frustrated by the inconvenience of reading long and wordy news articles on the first generation of smartphone screens, Zohar

Dayan and Yotam Cohen from Israel started working on a contemporary solution for staying abreast of the news while on the go.

The result is Wibbitz, in which BDMI has a financial stake. The platform converts online articles into video clips within seconds by leveraging artificial intelligence technologies, which puts it right in line with a major trend in modern media usage. Its cofounder and CEO Zohar Dayan expects that Wibbitz will make it easier for editorial teams to cope with the transformation to digital.

→ **DAYAN CAME UP WITH THE IDEA** while sitting on a bench at the IDC Herzliya campus. “I took out my smartphone to check the news. Next to me, a professor was reading a newspaper. I thought: It’s strange that we have high-tech devices that allow us to get the news anytime, anyplace – but we still have to consume the news in the same way as it was before digital devices even came out,” says the 33-year-old. “I found it frustrating that you had to constantly zoom and scroll in order to get the text on the small screens.” His next thought was, “There has got to be a better way.”

Dayan and Yotam Cohen, a friend and fellow student at IDC's Zell Entrepreneurship Program, shared the belief that video would come to play an increasingly important role on the mobile web. They realized that they would be able to help accelerate publishers' transition into a video-centric world if they found a way to quickly and easily turn the text of news articles into video clips. After working on the project for four years, Dayan and Cohen introduced Wibbitz to the market in 2013. "We were the first platform to use artificial intelligence for video creation," Dayan says. The project attracted the curiosity of venture capital funds, and most recently Bertelsmann Digital Media Investments (BDMI). The venture capital fund acquired a stake in the Israeli start-up in 2017.

Dayan and his team developed an algorithm that is capable of identifying key entities like people, places and events in an article's text, and analyze their relations in order to understand and summarize the story. In less than 15 seconds, the technology pulls photos and video footage from the databases of leading media providers like Reuters and Getty to match the content, and packages it with the user's own branding and color scheme, including logos and graphic transitions. The platform allows users to choose whether their video's message will be told with large text overlays (in a format that is typically found on social platforms like Facebook) or with a voiceover, which can be automatically generated with a very human-sounding computerized voice, or spoken by a professional human narrator. All of these elements are combined to produce an HD-rendered video that typically takes less than a minute to watch. Users can start their videos from text, media or an article URL, or they can connect their website's RSS feed to the Wibbitz platform, so videos are automatically generated from every article they publish.

All automation aside, Wibbitz also gives the user a chance to add an individual touch to each computer-generated clip. They are provided with a suite of editing tools, which Dayan says are so intuitive that no professional editors training is required. "We want to stay on the cutting edge and keep introducing new features to meet our partners' many different challenges," says Dayan. For example, to help users ensure their videos are optimized for viewing on various social networks, the team rolled out a suite of tools that enable videos to be easily duplicated, formatted in square, vertical or landscape, and

"We always  
want to stay  
up-to-date"

Zohar Dayan

packaged with design templates that fit natively on social feeds. These videos can also be published on Facebook and Twitter with a single click.

More than 10,000 videos per day are now created via the Wibbitz platform, he proudly notes. Understanding language plays a decisive role in the success of Wibbitz – the platform’s technology works best with English, German, Spanish and French, while another 18 languages, including Chinese, Russian, Italian and Arabic, are partially supported. Natural language processing (NLP) is the key component of the Wibbitz platform, as it enables the understanding of words and sentences, including their semantics and structure, to automatically translate texts into visual messages. For example, Wibbitz must be able to assign the name Chris Evans to the American actor if “Captain America” appears in the text – and not to the popular DJ of the same name on Britain’s BBC.

Dayan and Cohen designed Wibbitz as a solution for editorial teams, media agencies and other content creators. “The demand for video content is growing steadily. However, many editorial offices lack the resources and time to develop their own video crews.” says Dayan. The Israeli start-up has obviously struck a chord with the media industry. Major publishing, broadcast and media companies in the United States, such as Reuters, CBS, AOL, Time Inc., Forbes and USA Today Sports now use Wibbitz. Its clients also include leading media companies across Europe, such as the renowned daily newspaper “Le Figaro” in France or Spain’s Atres Media, in which RTL Group owns a stake.

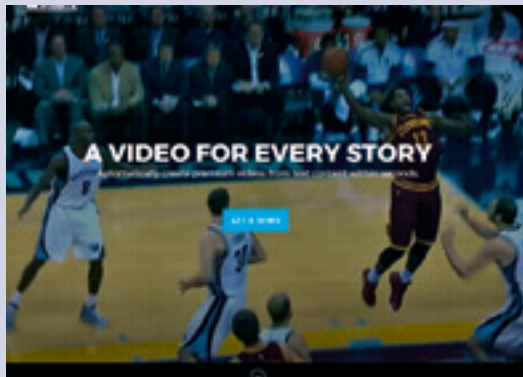
### **Demand for video content is increasing**

Wibbitz makes it easier for media houses to produce video content in many respects. The platform provides licensed video and image footage that many editorial offices wouldn’t otherwise be able to use, as they don’t have their own subscription to agency databases for cost reasons. On top of this, the platform’s various formatting and graphics templates allow the videos to be ready for immediate distribution across social networks, as their appearance matches the style of communications on Snapchat or Instagram. By offering an alternative to shooting and producing short video content in a conventional way, Wibbitz helps journalists and other media professionals disseminate their messages in an easily digestible form and reach the growing generation of mobile Internet users.

Dayan sees Wibbitz as a partner rather than a competitor to established media brands. The Internet has changed the rules of the game for the entire industry, and the most important thing for publishers and other media providers is to make the right content available at the time that audiences are



**Wibbitz** converts text to video within seconds.



“That was just the beginning”

Zohar Dayan



looking for it. “The evolution of the media sector is unavoidable, with or without Wibbitz. We are merely accelerating the process and making it easier for editors to manage it. Our platform helps them reach digitally oriented target groups with appealing video content,” explains Dayan. From his point of view, Wibbitz has become much more than just a video creation tool, and is a key component in a media company’s video strategy. “We are always working closely with our partners to find out which of our offerings best suits their video strategy, their brand voice and their capacities,” says Dayan.

### **Extending IT capacities of the platform**

The trend is on Wibbitz’s side: Forecasts predict that in 2020 video content will account for as much as 75 percent of mobile Internet use. At the same time, spending on digital video advertising in the US alone is expected to triple to \$28 billion by 2020. So the market could hardly be more attractive, and Wibbitz is growing along with it. The company recently opened an office in France, its third in addition to New York and Tel Aviv, and its first in Europe. “That was just the beginning. We want to establish ourselves in the European market and bring our technology into even more newsrooms. At the same time, we are constantly working on expanding the platform’s AI capabilities,” says Dayan. His vision: “We envision Wibbitz to be the platform that all content creators use to tell their stories visually, beautifully and easily.” ■

# Bertelsmann and Its Divisions

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

Source: <https://www.bertelsmann.com/divisions/>



TV and radio open up even the smallest room to the whole wide world. Turn on your set, and you will quickly come across RTL Group. Europe's biggest broadcaster operates channels and stations in ten countries and is a leading content producer.



Books turn people into explorers. More books await readers at Penguin Random House than anywhere else. With more than 15,000 new releases and over 800 million publications sold per year, Penguin Random House is the world's largest trade book publisher.



Gruner + Jahr is the home of fascinating media brands and is represented in more than 20 countries with over 500 offers (magazines, websites and digital media). In Germany, its range includes Stern, Brigitte, Geo, Capital, Gala and Schöner Wohnen.



BMG is the new model music company and a direct response to the challenges of music's digital revolution. BMG provides customized, transparent and – above all – fair services for artists.

## **arvato** BERTELSMANN

Services are the key to success for many businesses. Every day Arvato, with its over 70,000 employees in more than 40 countries, works on custom solutions for business clients from all over the world.

## **Bertelsmann Printing Group**

Printed products play a major role in many companies' communications – whether as a magazine, catalog or advertising brochure, or with digital offerings. The Bertelsmann Printing Group covers the entire spectrum of the modern printing industry.

## **Bertelsmann Education Group**

The Bertelsmann Education Group works to create systems for lifelong learning, where the content taught is specifically tailored to the real-life needs of employers (Education to Employment). This benefits both learners and businesses.

## **BI Bertelsmann Investments**

Bertelsmann Investments bundles Bertelsmann's shares in start-ups around the world. Its activities are focused on the strategic growth regions of Brazil, China, and India, as well as the United States and Europe.

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projects and products

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