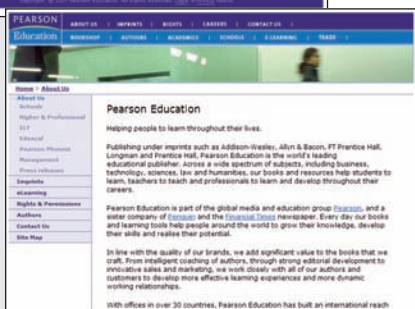


SHOWCASE PEARSON



Pearson is an international media company with world-leading businesses in education, business information and consumer publishing. With more than 32,000 employees based in 60 countries, Pearson is a large family of businesses that are alike in sharing the same aim: a focus on making the reading and learning experience as enjoyable and as beneficial as it can possibly be. Pearson Shared Services Ltd. is part of the global media and education group Pearson, and a sister company of Penguin and the Financial Times newspaper.

www.pearsoned.co.uk



"The implementation of the Klopotek Royalties and Contracts application has been a major step forward for Pearson and is beginning to deliver benefits to us through greater automation and improved efficiency. It has automated a number of previously manual processes, helped squeeze out cost savings by integrating two previously separate systems and we expect it to continue to improve communications between the key teams in the Royalties cycle."

John Ashworth, Managing Director

TASK

Pearson's UK subsidiary, Pearson Shared Services Ltd., identified a need to implement a new royalty management system. In order to achieve this, Pearson selected Klopotek, the leading supplier of international standardized software for publishers of books and journals.

BENEFITS

By implementing Klopotek software, it was possible to replace the two existing royalty systems (one for Pearson and one for Penguin) by one consistent system. Consequently, processes in the royalty department were streamlined. Information about contracts as well as about rights revenues was integrated. Implementing the new software also enabled Pearson to comply with the Sarbanes-Oxley Act of 2002, which is a United States federal law that introduced major changes to the regulation of financial practice and corporate governance.

PROJECT

As a first step, a study of contracts, rights and royalties was completed to define the business processes. The project started in October 2005 and went live in October 2006. Two complete royalty systems with contract and royalty information had to be migrated. Various interfaces – from the product master in use at Pearson/Penguin, to SAP as well as other financial systems – were put in place. A side effect of the project was to standardize some of the business processes which had until then followed different models at Pearson and Penguin. Another benefit is that the integrated system PPM eliminates possible interpretation risks between contracts, rights and royalties. At the moment there are over 100 people using the system.

CONTACT

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Contracts, Rights & Royalties **CR&R**

Integrated processes – centralized data

Klopotek's CR&R integrates contract creation and management with royalty calculation and accounting, rights acquisition, rights sales and marketing.

Editorial and Rights Acquisition

The rights negotiation process requires accurate data and transparency throughout the entire process. The Klopotek CR&R rights acquisition tool ensures your success by providing detailed information while allowing you to view the entire history concurrently. Knowing competitive publications, planning future sales in respective markets and being aware of financial risks allows you to feel secure with all your publishing decisions. An analysis tool for P&L calculations and break-even estimates completes the toolset.

Contract Management

Contractual agreements are delicate pieces of work and must be continually tracked and documented. In order to have full control, you want to be aware of the history of any previous verbal negotiations, any exceptions to the usual agreed upon legal terms and full access to the complete history of your written contract.

Editing the various contract drafts and the final contract document incorporates the latest Word® functionality. Contract scans, all correspondence relevant to the agreement and all versions are available with a simple click of the mouse. Even addendum negotiations and changes to the original terms are fully tracked from the very beginning all the way through to the final authorized document. Once the contract is signed, the data will be frozen.

Klopotek also realizes that the royalty business requires complex tasks to be performed on a daily basis. Multi-title deals, different contributors and agents and differing splits for advances and royalties are all easily handled by the system.

Royalty Calculation

Keying in new contracts and changes by addenda is no longer a burden for the royalty department. Using the same data for the printed contract documents as well as for

royalty accounting and calculation is key for shortening the processes that previously took significantly more time.

Once the contract is signed, it will automatically be posted into the general ledger according to the legal requirements and company rules. When an advance payment becomes due, such as when a contract is signed, a manuscript is accepted, or when a title is published, it is shown in the list of due payments. A simple mouse click by an authorized user will process the payment for all the recipients. Bonuses, whether determined by bestseller lists or by reaching a specific total number of copies sold, will also be tracked and shown automatically in the due payment list.

The basis for the royalty calculation on sales is derived from the single sales lines from the invoices. On this level, the calculation routine has access to all the relevant information such as the country of delivery, the market channel, discounts (for sliding rates on high-discount sales) and even customer type for special agreements with specific customers. The daily import of sales data is accompanied by a validation procedure that proofs accuracy within the royalties.

Daily accrual postings and monthly preview statements allow you to have your contracts and statements under control. When it is time for your real royalty run, you can be sure to retrieve it at the touch of a button. Royalty lists are sorted by titles and by recipients to allow you to do your final checks in an efficient and user-friendly way. After having completed your corrections and manual additions, you are able to start your statement run.

The royalty letters are generated according to your company's corporate identity and will display the level of information you choose to provide. This information is also concurrently transferred to your general ledger. When royalty payments are due, the correct payment information is transferred into your financial system. This system also identifies tax rules and exemptions, different currencies and payees on hold.

Royalty Accounting

While the Klopotek CR&R system automates most processes, sometimes manual intervention cannot be avoided. Klopotek has taken this basic requirement of the publishing industry into consideration. Partial payments or authors' invoices to be paid against their future royalties are only two examples that exist within the diverse catalogue of options. Posting facilities allow processing every exception within the royalty system, carrying forward the relevant information for future automated steps. And all manual and automatic postings are synchronized with your financial system.

Rights Sales and Marketing

Rights sales is the primary vehicle for publishers to increase their revenues. You generate individual marketing materials and automated catalogs for your licensees' specific requirements. Informing them regularly about new titles, open rights and new options is simple with the Klopotek CR&R rights sales tool. It helps you keep track of all offers and permissions and makes sure you do not sell a right which you do not hold or one that you have already sold. Create sales contracts with the same comfort as your editorial colleagues and link the acquisition contracts to them. Control the due payments and periodical statements, track the number of copies sold and automatically issue invoices and reminders.

All in One: CR&R

The Klopotek CR&R system supports all processes and helps you manage and accommodate your author's needs. This system allows you to easily collect the license revenue, transfer the authors' splits to their royalty accounts or to inform authors on new opportunities and options. The use of this system will effectively support author care programs and demonstrate your commitment to maximizing your clients' royalties.