

# **BIC GUIDELINES FOR THE REPORTING OF SALES OF DIGITAL CONTENT AND EBOOKS**

July 2011

## **Introduction**

Whereas in traditional book trade models goods are invoiced before or at the time of supply, the digital file – whether the final tradable product or the content package capable of being converted into a tradable product – is supplied without an invoice being raised. The model is similar to that of books supplied on consignment and paid for as they are sold.

As sales of digital content grow, this will clearly become the overwhelmingly dominant model; and it is critical for the industry that it is able to manage it both in legacy and future systems so that the ingestion of sales reports can be processed automatically both into sales ledgers but also into royalty management systems. It is equally important for sellers that reporting processes are standardised and simplified to cope with the growing volume of sales transactions and trading partners.

Up to this point, with volumes comparatively low, it has been possible to manage using proprietary spreadsheets, emails, web pages, even paper reports, as agreed between trading partners. These methods are already unacceptable both in terms of business efficiency and auditability for either publisher or reseller. A robust standard automated framework for sales reporting is essential.

## **The EDItX Sales Report format**

The recommended solution is provided by the EDItX Sales Report version 1.1<sup>1</sup> published in June 2011 after a programme of piloting by members of the Book Industry Study Group (in which BIC members participated). This accommodates a subset recommended for use in North America, which also exists in flat file (spreadsheet) form<sup>2</sup> for those with inadequate resource to send or process XML.

This activity by BISG was the immediate consequence of the emergence of the ‘agency model’ for the pricing of e-books, which obliged US publishers – as ‘sellers of record’ - to report tax obligations to the appropriate authorities. The EDItX message is able to include tax information but need not do so; and for this reason a separate tax report has also been published by BISG in spreadsheet and XML form<sup>3</sup>. It is not clear to what extent this will be a requirement for UK publishers; but in any event the specific contents of the reports submitted will be subject to agreement between trading partners.

The format allows these reporting options:

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<sup>1</sup> <http://www.bic.org.uk/76/Digital-Supply-Chain/>

<sup>2</sup> [www.bisg.org/what-we-do-17-23-editx-xml-document-formats.php](http://www.bisg.org/what-we-do-17-23-editx-xml-document-formats.php)

<sup>3</sup> [www.bisg.org/what-we-do-17-23-editx-xml-document-formats.php](http://www.bisg.org/what-we-do-17-23-editx-xml-document-formats.php)

1. Each report line may list an individual transaction, or it may provide a total of all transactions for a given (identified) tradeable product under a given class of sale or at a given price point during the reporting period specified in the message header.
2. Classes of sale may be defined by trading partners to reflect the details of the arrangements which they have negotiated.
3. The monetary amounts due to the publisher may be calculated on the basis of an agreed net unit cost to the reseller, or on the basis of a discount from either the publisher's list price or the reseller's actual sale price, or on the basis of an agreed discount to the consumer that was applied by the selling agent to the publisher's retail price. In addition a reseller's or agent's fees may be deducted from the price.
4. In support of the growing adoption of agency terms, especially in North America, commission may be reported as a percentage in much the same way as discounts are reported for sales under wholesale terms.
5. It is also possible to use the format to identify sales by retail outlet, either as individual transactions or by aggregating all transactions for a given format of a given title through each retail outlet.
6. For reports that list individual transactions, the sales tax that is due may be reported for each transaction. The format can be used for reporting sales and sales tax in separate reports, if required.

### **Recommendations for adoption**

It is strongly recommended that publishers and resellers adopt the EDItX Sales Report message (or its flat file alternative) as the basis for retrospective sales reporting. It is in the interests of both trading partners and the industry as a whole that variations are minimised, both for the sender and for the recipient of multiple reports from different sources.

The publisher is entitled to expect from resellers regular full reports on sales to a mutually agreed timetable and in a format which, if the publisher requires it, enables automatic ingestion into sales, royalty and other systems.

The reseller is entitled to expect publishers to accept a standard sales report message in one or other of the agreed formats, preferably without any variation between the requirements of recipients.

The publisher should include in any commercial terms document with digital resellers the requirement that a specified version of the sales report message is used.

Resellers and publishers should agree between themselves the frequency and detail of reporting and include that information in any trading agreement.

Publishers are encouraged to explore internal systems options to maximise the automation of the sales reporting process and to view it as a form of electronic data interchange (EDI) which enables the report to become the basis for automated invoicing. The same should in due course be equally true for rights and royalties systems.

It should be noted that the EDItX Sales Report message is equally suitable for administering sales of physical books delivered on consignment; and may become increasingly valuable for this purpose in the future.