Book Industry Communication
39-41 North Road · London N7 9DP
Telephone 020 7607 0021 · Fax 020 7607 0415
mail@bic.org.uk

Electronic transactions in the digital supply chain: a business case proposal

At the time of writing commercial activity around e-books or other digital forms of delivery is very limited: few titles, few trading partners and a small number of influential intermediaries – a situation where most of the business needs can be supported using the most basic manual systems (emails and spreadsheets).

It is obvious that if digital business is to grow to make the investment in it commercially worthwhile this state of affairs has to change. We must anticipate many more titles, many more channels to market, many more customers and much greater complexity, possibly all developing very quickly in a very short time span.

Publishers need to prepare themselves to cope with the likelihood of such a sudden expansion of their digital business. Fortunately, many of the existing ways in which they do business with physical product have shown themselves surprisingly robust and extensible to digital products too.

The assumption of this paper is that for the foreseeable future most publishers will need to divide responsibility for their digital sales processes with their existing distributor of physical product. It will make sense for their distributors, who are already conducting most of their business electronically using established EDI connections, to undertake the invoicing of digital product using the same mechanisms and processes. This is already happening in some of the major groups and changes required to EDI invoice messages appear to be minimal, if not non-existent. Certainly BIC has not yet been asked to make any changes to the current Tradacoms guidelines to enable the invoicing of digital product.

So far so good. However, whereas most invoicing is triggered by orders received directly by distributors, the same is unlikely to be true where digital content is concerned. Digital sales will generally be negotiated by sales departments (or specialist digital departments) within all the individual client publishers (group or non-group) of the distributors who are generating the invoices. Most of the deals struck will be based on making available content under the terms of a blanket licence to retailers or other resellers for resale to the end consumer. In this situation, orders will largely be replaced by periodic retrospective reporting of sales by these intermediaries to consumers.

BIC is proposing the industry's adoption of the EDItX Digital Sales Reporting message, a simple XML document which would have the dual function of (a) providing management information to the publisher for sales, royalty or other information purposes and (b) automatically triggering an invoice by the distributor.

The format allows these reporting options:

1. Each report line may list an individual transaction, or it may provide a total of all transactions for a given tradeable product under a given class of sale 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. Additionally, a few standard classes of sale are defined: *publisher internal, review copies, wholesale, retail, export, agency*.

3. The monetary amounts due to the publisher may be calculated on the basis of an agreed net unit cost, or on the basis of a discount from either the publisher's list price or the seller's actual sale price. In addition a seller's fee may be deducted from the price. Where there is both a discount on price and a seller's fee, the discounted price must be calculated *before* the fee is deducted.

4. 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.

BIC hopes that this message will be piloted in the near future and this business case validated. The latest version of the specification is available from BIC.

Peter Kilborn
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