



INTERNAL AUDIT, RISK, AND COMPLIANCE SERVICES

Navigating a Digitized World

ADVISORY

As electronic distribution of products increases, the model of trust, but verify, needs to better address the digital reality that is taking its place.

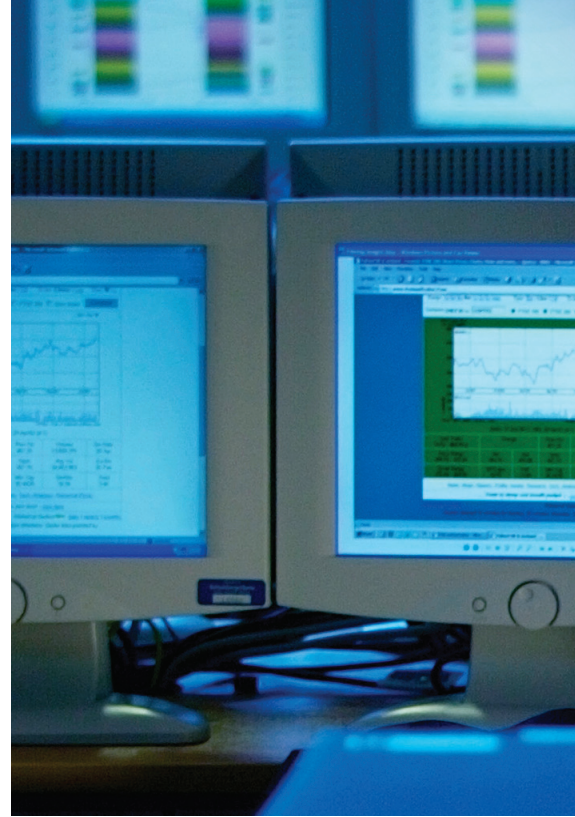
The ability to digitize information has made convergence a reality and has put consumers in control of what, when, where, and how they consume digital content. The demand for new products, services, and delivery methods has resulted in the development of a digital ecosystem with multiple entrants and nontraditional players. At the same time, protecting and tracking intellectual property in digital and mobile formats has become even more important and much more challenging. Businesses that successfully navigate these challenges are better able to maximize their revenue streams, establish good partnerships, and create a foundation for continued growth.

Accurate and reliable reporting from third parties in the digital ecosystem is critical to understanding the status of your business and the state of your revenue stream. Often, there is no agreement on the type of data, format, and frequency of reporting related to revenue, sales, royalties, and other variables.

The Mobile Entertainment Forum (MEF) released detailed findings of its survey on best practices for content sales reporting. These findings included the following:

- The mobile entertainment industry is losing up to 10 percent of its gross revenue due to inconsistent and inaccurate content sales reporting.
- An overwhelming 93 percent of industry members believe accurate content sales reporting is critical to the industry's long-term success.
- Half of the respondents stated that they receive up to 50 different types of reports, and this confusion is exacerbated by the fact there is no clear reporting line within the value chain.

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How KPMG can help

KPMG's Contract Compliance Services (CCS) practice is dedicated to helping companies examine and resolve contract and revenue-related issues. The CCS team of more than 400 dedicated professionals has been providing such support to companies worldwide.

Our digital compliance team is well versed in communications and media policies, procedures, and industry issues.

Our work has resulted in revenue recoveries, identification of excess costs, and helped to enhance the relationships between companies and their third parties.

KPMG recognizes that a large portion of the digital ecosystem is based on self-reporting of key variables such as sales, revenue, and royalties. Complex deal structures, misunderstandings, and unintentional errors can lead to inaccurate, incomplete, or late

reporting. Moreover, the complexity of the source data at the third parties can result in poor reporting, which may lead to lost revenue.

The practice's specialized Digital Content Compliance group helps companies address these concerns by assessing third-party relationships between digital content owners (licensors) and third parties (licensees) such as online web sites, mobile carriers, and peer-to-peer networks. By focusing on understanding the systems and processes involved in data capture, sales reporting, and royalty and revenue share calculations, the Digital CCS team is able to identify risk areas and create test procedures to uncover underreporting and other noncompliance areas.

Digital CCS focuses on understanding and testing the following areas:

- Compliance to applicable contractual terms and obligations

- Accuracy of metadata provided by the content owner and the third party
- Systems and processes for obtaining data used for sales and royalty reporting
- The royalty reporting process

An on-demand approach

Understanding the digital ecosystem is a start. The KPMG Digital CCS approach offers much more, including:

- Helping you implement third-party monitoring programs that:
 - Prioritize third parties for assessment
 - Identify ambiguous contract terms
 - Uncover instances of underreporting and noncompliance
 - Provide better protection for intellectual property
 - Enhance relationships with third parties



- Helping to assess readiness for an audit if you are the third party, including:
 - Reviewing systems and processes involved in data capture
 - Understanding of contract terms and obligations by key personnel
 - Compilation of sales and royalty reporting
 - Accurate and timely submission of reports and payments

KPMG is able to assist those who distribute content by determining their state of "readiness" for inspection by a third-party auditor.

Potential long-term benefits of a relationship with KPMG

Navigating a digitized world is challenging. It's an environment where opportunities and pitfalls often sit side by side. KPMG's Digital CCS practice is eager to help your company build on its strengths and better manage inherent risks.

We believe our efforts will help your company:

- Create a more transparent third-party reporting process
- Enhance financial reporting controls
- Improve deal terms and contract language
- Strengthen relationships within the digital ecosystem

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