



## **Independent study reveals 66% reduction in key operations expense over 5 years for digital music providers adopting DDEX data exchange standards**

Study details significant cost savings and benefits for market participants

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Microgen Plc (LSE: MCGN), the enterprise software provider, today announced the results of a commissioned study conducted by Forrester Consulting on behalf of Microgen titled, 'The Total Economic Impact of The DDEX Standards' (January 2013). The study determined that there are significant financial benefits for digital music market participants to adopt DDEX standards.

Forrester Consulting conducted interviews with four major digital music participants, including a European rights society with relationships with over 2,000 records labels, a distributor with over 300 retailers, a subscription music service and a content owner (a label). Using the Total Economic Impact (TEI) framework, Forrester Consulting modelled the costs that rights holders and retailers (both large and small organisations) face to set up and install the data feeds required to communicate digital music inventory and usage information.

With the widespread adoption of connected devices, consumer demand for digital music continues to move faster than the media sector's ability to fully exploit that demand. New subscription services aim to fulfil this demand but many struggle to launch platforms that enable consumers to discover relevant content and at a compelling, sustainable price.

The digital supply chain relies on the management of a high-volume of low-value transactions. The sale of a digital music track often requires record companies, retailers, collecting societies and other intermediaries to interact multiple times, from 'announcing' the track is available to reporting its usage. In the past, the digital music market has been hampered by non-standardised or proprietary reporting formats.

The adoption of standards supports the propagation of new technologies to distribute media, lowering the barriers to entry for new firms and ultimately resulting in increased choice and reduced costs for consumers. If artists, content labels and distributors can afford to improve and broaden their offerings, more customers will listen to digital music broadcasts and there will be more revenue for songwriters and other rights owners.

Among the key benefits of adopting DDEX standards highlighted in the Forrester Consulting TEI study are the following:

- A reduction in data feed creation and integration expenses of 66% over 5 years
- Reduction in data feed maintenance expenses of 25% as proprietary feeds are replaced with DDEX feeds

- DDEX users avoid significant training costs each time new data feed is implemented
- Labour productivity improvements from automating processing takedown requests

Forrester Consulting also anticipates that as more organizations implement DDEX in the future, new entrants and the overall DDEX ecosystem may experience the following benefits:

- Improved time to market. Where one or both partners have already implemented DDEX standards, the time to automate message exchange with new partners will be significantly shortened. In turn, lower barriers to entry will foster new partnerships and will allow faster exploitation of market opportunities
- Reduced start-up costs for new entrants
- Benefits of adopting DDEX will further improve with increased adoption

“All of the organizations we interviewed were unanimous in their desire to lower the costs of managing data exchange in their part of the digital music supply chain” according to the Forrester Consulting study. “They also wanted to make their business operations more flexible and agile [...] improve the transparency and auditability of sales data [... and] lower the cost of entry for new players into the digital music industry.”

“The Forrester TEI study clearly presents the financial rationale for new and existing digital music market participants to incorporate standards for data exchange” states Kirit Joshi, DDEX Chairman. “An automated global transaction processing infrastructure based on open standards provides operational savings whilst enabling faster adoption of new and improved digital music options for consumers which ultimately drives revenue for content creators. “

“Microgen firmly believes in the benefits of implementing standards and the Forrester Consulting TEI study clearly outlines the value of adopting the DDEX message formats and choreographies. With the ever increasing volume of digital music and media transactions, the only way for the Digital Media Supply Chain to be efficient is to adopt these standards across the ecosystem” states Martin Redington, SVP Product & Delivery at Microgen.

### **Methodology: Forrester Consulting Total Economic Impact (TEI) Framework**

For this study, Forrester Consulting used its proven TEI framework, which provides a complete picture of technology investment decisions. Forrester Consulting interviewed four representative organisations operating in the digital music supply chain, subsequently performing financial analysis to compare the costs of DDEX against proprietary standards for data exchange. Forrester Consulting also considered the costs of data feed maintenance, training and labour productivity improvements associated with processing takedown requests. Forrester Consulting constructed a financial model, populated with the applied cost and benefit data.

### **About the Digital Data Exchange (“DDEX”)**

DDEX is a consortium of leading media companies, music licensing organisations, digital service providers and technical intermediaries, focused on the creation of digital supply chain standards.

To support the automated exchange of information along the digital supply chain, DDEX has standardised the format in which information is represented in XML messages and the method by which the messages are exchanged between business partners. These standards are developed and made available for industry-wide implementation.

DDEX standards help rights holders, retailers and technical intermediaries to more effectively communicate information along the digital supply chain. This leads to efficient business transactions, reduced costs and increased revenues for all sectors involved.

Formed in 2006, DDEX initially focused on standardising message formats for the digital music supply chain but the foundation of the standards is sufficiently generic that they can easily be adapted to other digital media supply chains. Find out more about DDEX at [www.ddex.net](http://www.ddex.net).

### **About Microgen**

Microgen is an enterprise software provider that enables business teams to quickly address their most demanding application requirements.

Microgen is recognised for its expertise in finance integration and for the Microgen Aptitude, Enterprise Application Platform, used to quickly build bespoke business applications. Microgen delivers software, applications and services to many of the world's largest financial services, digital media and telecommunication companies.

Microgen is headquartered in London, UK with offices worldwide. Find more information about Microgen at [www.microgen.com](http://www.microgen.com).

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