



Textbook Royalties Bootcamp:

**Understand the Fundamental
Elements of Your Royalty
Statements**

June 9, 2023

HK>A

ROYALTY ROOTS

CAPITAL

- Financial (costs of production) and Marketing Capital: Publisher
- Human Capital (writing): Author

BOTH PARTIES CONTRIBUTE VALUE

- Royalty represents divided profit
- Royalty negotiations determine profit shares

ROYALTY EVOLUTION

PRE-WEB

- Channels
- Bundles
- Bulk sales
- Print supplements
- Custom

POST-WEB

- Bundles
- Used Books/Resale
- Rentals
- Subscription Models
- Inclusive Access
- Digital supplements
 - Homework
 - Learning environments

Information presented for training purposes only

COPYRIGHT LAW

Derivative Work

Under the Copyright Act, a “‘derivative work’ is a work based upon one or more preexisting works, such a translation, musical arrangement, dramatization, fictionalization, motion picture version, sound recording, art reproduction, abridgment, condensation, or any other form in which a work may be recast, transformed, or adapted. A work consisting of editorial revision, annotations, elaborations, or other modification which, as a whole, represent an original work of authorship, is a ‘derivative work.’” See 17 U.S.C. §101

PUBLISHING AGREEMENT

- Publishing agreements are the codification of a business relationship entered into for the benefit of both parties
- Many agreements are complex. They are largely developed by the Publishers. Authors accept terms as standard without questioning
- It is left to others in the organization to calculate payment of royalties, others that may have never reviewed the agreement
- Still, many of today's existing agreements do not contemplate new electronic delivery methods
- Publishers have made an effort to in recent years to update publishing agreements

ROYALTY STATEMENT

YES (generally)

- ☒ ISBN
- ☒ Edition
- ☒ Net Units
- ☒ Net Units \$
- ☒ Royalty Rate
- ☒ Contract Share
- ☒ Type (US vs. Export)
- ☒ Sub-rights \$

MAYBE

- ☐ Life-to-Date Sales
- ☐ Gross Units
- ☐ Return Units
- ☐ Gross \$
- ☐ Return \$
- ☐ Package vs. Standalone
- ☐ Book Rentals
- ☐ Electronic Versions/
Access
- ☐ Other Content

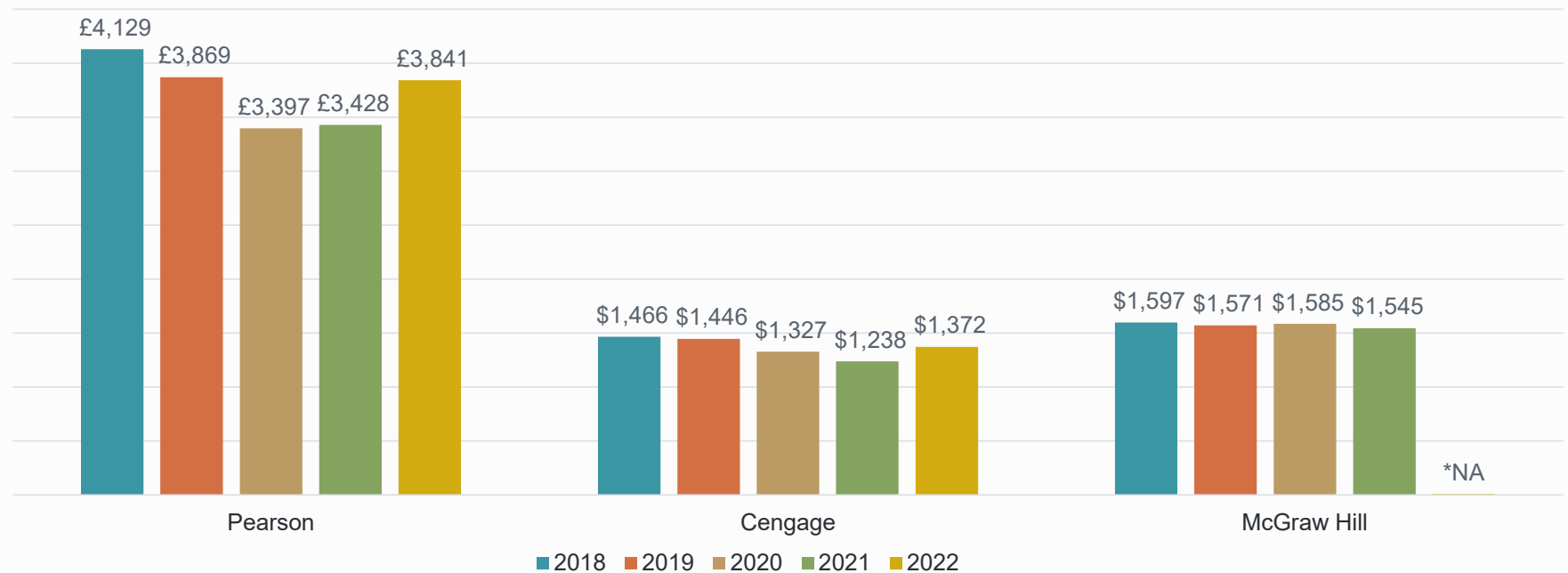
NO (rarely)

- ☒ Free Units
- ☒ Detailed Type
(i.e. Country)
- ☒ Allocations
within Packages
- ☒ Other Components
in Packages
- ☒ Copies Printed
- ☒ Copies Shipped
- ☒ Copies Destroyed
- ☒ Sub-right Details

Information presented for training purposes only

PUBLISHER PERFORMANCE

Total Revenues in Millions

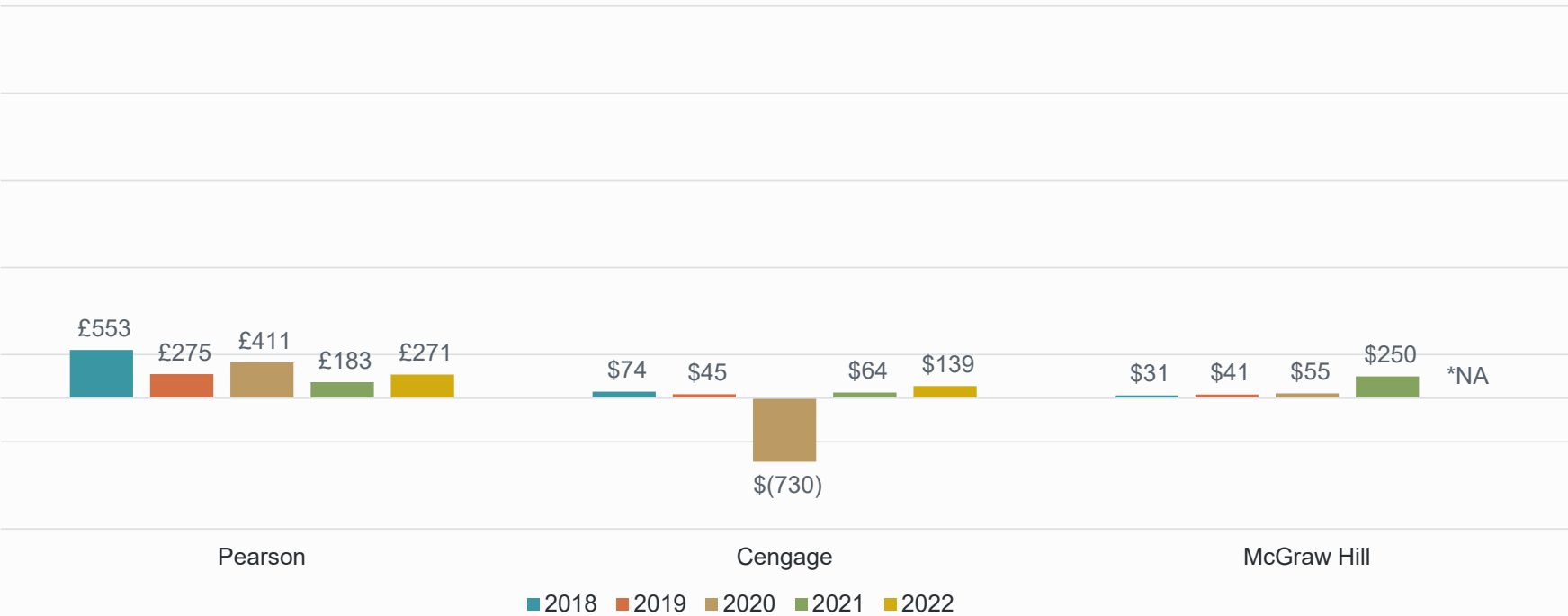


*Revenue information of the year 2022 Not Available in public domain for MHE since it has been bought by Platinum Equity in 2021

Information presented for training purposes only

PUBLISHER PERFORMANCE

Operating Profits (Loss) in Millions



*Profit information of the year 2022 Not Available in public domain for MHE since it has been bought by Platinum Equity in 2021

Information presented for training purposes only

STATE OF THE MARKET

- New US learning app, Pearson+ launched in July 2021
- Pearson's introduction a generative AI tool
 - Used across different products including MyLab, Mastering, and Pearson+
- Cengage and MHE merger called off in May 2020
- MHE purchased by private equity firm and taken private in 2021
- Lawsuits against Cengage and Mc-Graw Hill Education related to electronic offerings
- MHE has changed royalty calculation method for Connect
- Pearson now offering subscription based model to students

Information presented for training purposes only

RED FLAGS

- Calculations in reports that are not supported
- Insufficient detail
- Publisher's inability to answer questions
- Late payments
- Escalation payments not in accordance with contract clauses
- Payments not as high as expected or do not follow market trends
- Repeated incorrect calculations
- Publisher's poor internal controls – if public, watch for filings
- Change in royalty accountants / change in contact with knowledge of license
- Business mergers / acquisitions

SAMPLE STATEMENT

JONES HIGHER EDUCATION PUBLISHING							
ROYALTY STATEMENT FOR: TAA Author #1				Title: Fundamentals of Textbook Writing 3rd Edition			
ROYALTY PERIOD: 1/1/2020 - 6/30/2022				ISBN #: 123-456-ISBN-01			
STATEMENT DUE: 9/30/2022				Copyright Year: 2022			
Category	Net Units	Net Revenue	Royalty Rate	Total Royalty	Author's Share	Royalty Earned Current Period	
U.S. Regular	2,314	\$ 208,233	12%	\$ 24,988	50%	\$	12,494
Canada	1,389	\$ 111,112	12%	\$ 13,333	50%	\$	6,667
Export	758	\$ 22,734	12%	\$ 2,728	50%	\$	1,364
Sub-rights	42	\$ 420	50%	\$ 210	50%	\$	105
Abridgement/Custom	366	\$ 27,450	10%	\$ 2,745	50%	\$	1,373
Total	4,869	\$ 369,949		\$ 44,004		\$	22,002
Balance Forward:							(7,500)
Deductions:							(1,500)
Amount Payable this Statement:						\$	13,002

Life to Date: 6,462

Information presented for training purposes only



4 Things You Don't Know

4 Things You Don't Know

Where is my book sold?



Information presented for training purposes only

4 Things You Don't Know

How am I paid for my content in packages?

UNIVERSITY A

TITLE	ISBN	CUSTOM ALLOCATION
A. BIOLOGY	123456789	25%
B. ECOLOGY	1232456788	25%
C. GEOLOGY	123456778	25%
D. OCEANOGRAPHY	123456777	25%

UNIVERSITY B

TITLE	ISBN	CUSTOM ALLOCATION
A. BIOLOGY	123456789	27%
B. ECOLOGY	1232456781	19%
C. GEOLOGY	123456778	27%
D. OCEANOGRAPHY	123456777	27%

Information presented for training purposes only

4 Things You Don't Know

Is my royalty statement missing any ISBNs?

Bookwire™
by Bowker

For Publishers

Enter your query here

All
All
Subject
Title
Author
Publisher
Series Title

Featured Books for October

The Lager Queen of Minnesota
A Novel
ISBN: 978-0-399-56305-8
Author: Stradal, J. Ryan
Publication Date: 2019-07-23
Publisher: Penguin Publishing Group
Book Format: Hardback
List Price: \$26.00

View more Featured Books

Browse Book Subjects

Romance
Children's
Religion
Biographies
Self-Help
Computers
History
Travel

Mystery
Business
Cooking
Humor
Gardening
Health & Fitness
Art
Science Fiction

View more

New Books

My Dreams
Independent Press, ...
Paperback: \$7.99

I Never Asked to ...
Publishing, Claykay
Paperback: \$7.99

Notebook
Dreamcatcher, Eclec...
Paperback: \$8.99

Yoga Pattern - Yo...
Publications, Spiri...
Paperback: \$6.99

View more

Best Selling Books


Danielle Steel
Blessing in Disguise
Paperback: \$31.00

The Odyssey
Homer
Hardback: \$22.95

Information presented for training purposes only

4 Things You Don't Know

Adjustments

		ROYALTY STATEMENT					
5191 NATORP BLVD. MASON, OHIO 45040		FOR SEMI ANNUAL PERIOD ENDED: 6/30/2022					
		SALES ACTIVITY				CONTRACT ID: [REDACTED] CONTACT ID: [REDACTED] STATEMENT #: [REDACTED] CONTRACT CURRENCY: USD	
DESCRIPTION	NET SALES UNITS	NET SALES AMOUNT	NET INCOME RECEIVED	RATE	ROYALTY	CONTRACT SHARE %	CONTRACT SHARE
DOMESTIC							
ITD ADJUSTMENTS	22	1,891.58		8.5710%	162.13	100.00%	162.13
PACKAGE	(137)	(11,851.10)		8.5710%	(1,015.77)	100.00%	(1,015.77)
STAND ALONE	380	27,666.44		8.5710%	2,371.28	100.00%	2,371.28
TOTAL	265	17,706.84			1,517.64		1,517.64
TOTAL	265	17,706.84			1,517.64		1,517.64
TITLE DATA:							
TITLE: [REDACTED] ISBN#: [REDACTED] EDITION: [REDACTED] INCEPTION TO DATE UNITS SOLD: 112							
DOMESTIC							
ITD ADJUSTMENTS	3	156.78		8.5710%	13.44	100.00%	13.44
STAND ALONE	48	2,928.98		8.5710%	251.04	100.00%	251.04
TOTAL	51	3,085.76			264.48		264.48
TOTAL	51	3,085.76			264.48		264.48
TITLE DATA:							
TITLE: [REDACTED] ISBN#: [REDACTED] EDITION: [REDACTED] INCEPTION TO DATE UNITS SOLD: 20							
DOMESTIC							
ITD ADJUSTMENTS	3	1,711.45		8.5710%	146.89	100.00%	146.89
STAND ALONE	9	7,462.08		8.5710%	639.58	100.00%	639.58
TOTAL	12	9,173.53			786.27		786.27
TOTAL	12	9,173.53			786.27		786.27

Information presented for training purposes only

JULI SAITZ, CPA
917-535-9920
julisaitz@hka.com



EDUCATION

- BS, Accounting, New York University

CERTIFICATIONS

- Certified Public Accountant
- Certified in Financial Forensics by AICPA
- Accredited in Business Valuation by AICPA

AFFILIATIONS

- American Institute of Certified Public Accountants
- New York State Society of Certified Public Accountants
- The Authors Guild
- Text and Academic Authors Association
- The Copyright Society of the USA
- Licensing Executives Society
- American Bar Association

Q&A

AGILE. COLLABORATIVE. CONFIDENT. INNOVATIVE. PASSIONATE.