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Price/Payment Reconciliation for Subscriptions: Best Practice Recommendations from ICEDIS

Last updated by Tim Devenport, March 2015

Summary

During 2011 and 2012, ICEDIS ran a Working Group looking into problems concerning Price/Payment Reconciliation for subscription products. The Group was tasked as follows:

- To investigate processes used to reconcile prices expected (by publishers) for subscription products and the actual payments remitted by purchasers (usually subscription agents).
- To better understand triggers and information shortfalls that lead to mismatches between expected prices and actual payments, leading to a need for detailed reconciliation and adjustments or refunds.
- To propose improvements in this area, with the aims of improving service, accelerating cash flow and reducing cost and time for all involved.

Through a series of virtual meetings, email exchanges and process analysis, the Group produced two main outcomes, both documented here. The first was a series of best practice recommendations within the constraints of existing procedures and ICEDIS messaging standards. The second was a longer-term proposal to encourage the creation an acknowledgement/response message for each incoming order line, either confirming successful receipt and processing or advising of issues that need to be resolved before the order or renewal can be processed.

1. Standards Currently Used

The primary standards in use for ordering/renewing subscription products are the ICEDIS AES (Advice on Existing Subscription) and ORT (Subscription Order, Renewal & Transfer) formats. These are legacy, fixed-length formats first created in the late 1980s/early 1990s but still used extensively for transactions between subscription agencies and publishers. Both are documented here on the EDItEUR website.

One aspect that has changed somewhat since the Working Group first met is the increasing use of the ONIX-PC format to convey pricing and other product metadata for subscription products – a key precursor to successful renewals processing.

2. Underlying Processes

The issues and recommendations examined in this document focus primarily on subscriptions purchased from publishers via subscription agents. More specifically, the processes examined relate mainly to "list price" purchases, rather than negotiated deals, though many of the same best practice ideas are equally applicable for negotiated deals and indeed for direct purchases made by libraries or consortia.
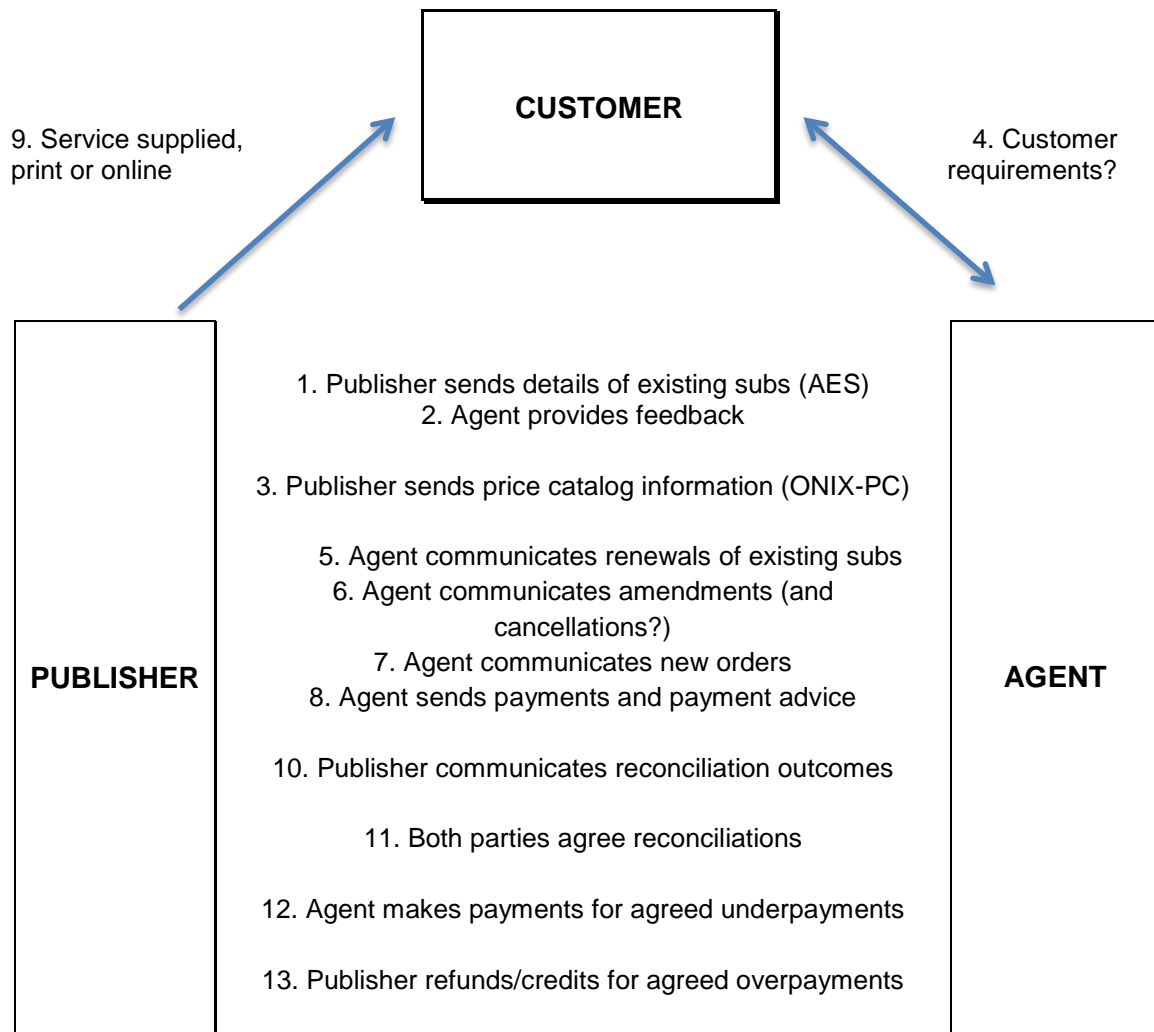
Before subscription orders are placed or existing subs renewed, all parties involved are busy with preparatory work. Agents communicate with their library customers to establish requirements and publishers plan and price their offerings for the following subscription year.

The business interchanges between agents and publishers to handle this kind of subscription transaction are long established and can be visualized in terms of a series of information exchanges as shown on the next page in Diagram 1.
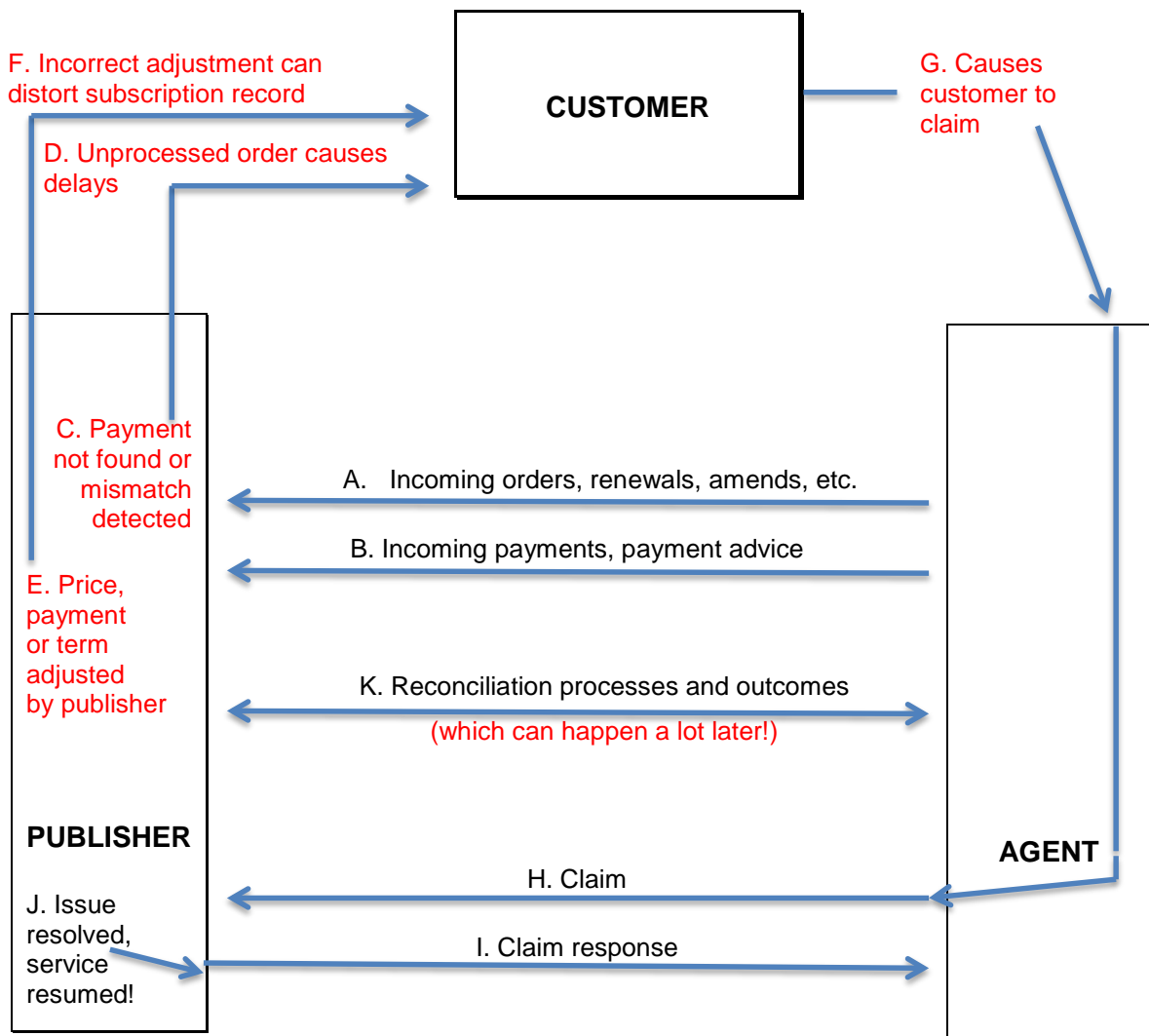
3. What *Can* Go Wrong

In a perfect world, the customer's requirements are clearly established, the agent identifies the correct product and price combination from the publisher's catalog and the publisher seamlessly delivers the subscription product to the end customer. And in fairness to all concerned, this is in fact what happens in the great majority of cases!

The problem is that we are dealing with a large number of information exchanges, each of which must proceed in an accurate and timely fashion for the overall process to succeed. Misunderstandings or errors can occur and there is unfortunately ample scope for problems. In simple cases, these are speedily resolved, but in a worst case there can be significant interruptions in serving content to the customer or lengthy delays in unraveling mismatched transactions and delayed cash flow between partners.

CUSTOMER

9. Service supplied,
print or online

4. Customer
requirements?

PUBLISHER

1. Publisher sends details of existing subs (AES)
2. Agent provides feedback

3. Publisher sends price catalog information (ONIX-PC)

5. Agent communicates renewals of existing subs
6. Agent communicates amendments (and cancellations?)
7. Agent communicates new orders
8. Agent sends payments and payment advice

10. Publisher communicates reconciliation outcomes

11. Both parties agree reconciliations

12. Agent makes payments for agreed underpayments

13. Publisher refunds/credits for agreed overpayments

AGENT

Diagram 1: Basic information exchanges between agent, publisher & customer. Stages numbered 1 – 13 represent an approximate sequence in the process, although communications tend in practice to be "grouped", broadly as shown.

The schematic in Diagram 2 on the next page highlights some of the more important "hot spots" where trouble can occur and indicates problems that may follow. Keep in mind, of course, that this depicts something approaching a "perfect storm" of unfortunate events, unlikely together to affect one particular subscriber. But taken individually, all of the situations mentioned here and later in this document do indeed occur from time to time. There is a particular onus on publishers and agencies to actively (and cooperatively) manage ordering, renewal and payment processes to minimize or eliminate causes of problems.

Diagram 2: What *can* go wrong! Points where trouble can arise. Stages A–J represent an approximate sequence in the process.

4. Procedural Recommendations

The good news is that all of the problem areas identified can be overcome, or at any rate minimized. The three key principles for both publishers and agents are to:

1. **Prepare thoroughly** and well in advance of the renewals season.
2. **Communicate in depth** with your counterparts (whether at the publisher or the agency) and early to avoid surprises.
3. **Deal with problems up front** and as soon as they are identified: don't put them off till later.

Let's unpack those three areas in a bit more detail.

4.1. Prepare Thoroughly

Advance preparation generally pays dividends and that is certainly the case in subscriptions processing. Synchronize records with your business partners so that mismatches can be resolved and later renewals operations become smoother, with higher percentages of auto-processing and fewer transactions rejected out for manual processing. Remember to alert other relevant departments within your own organization to approaching peak seasons: for example, finance colleagues should be on standby to make or receive higher volumes of payments. Try to use identifiers (for customers or products) that your partners will recognize, or if you really must change these then tell your partners how old and new IDs relate to one another.

4.2. Communicate – Keep The Lines Open!

Don't be afraid to email or hit the phone to your opposite number, whether this is to compare notes on progress to date or to investigate and resolve problems. When a customer is ordering a subscription via an agency, then by definition teamwork involving both the publisher and the agent is vital to ensure a good outcome. Work deliberately to build confidence across, as well as within, your own and your partners' organizations. It's also more fun that way, but most crucially of all, a happy customer, getting prompt service and the products they expect, means more orders placed and more renewals achieved.

4.3. Resolve Problems As They Arise

Minimize problems that might negatively impact on the customer by identifying and resolving issues early. If unidentified payments arrive, query these earlier rather than later, so that orders or renewals are not placed on hold whilst the corresponding payments are sought. If orders are being consistently placed at what appears to be an incorrect price, then recognize that there may be a general misunderstanding – fix the early cases and feed back information to your partners to avoid later recurrences.

5. What's useful and what not to do

Members of the ICEDIS Working Group were generous with informal advice, frequently based on years of experience in processing subscriptions. Some of their recommendations (and the underlying rationale) included the following.

DO

- Communicate frequently with your opposite numbers at the agency or publishing house.
- Establish a shared timetable of critical dates/events with your business partners.

- Send out product and price information as early as is practical, particularly highlighting any changes (e.g. new or discontinued titles, format changes, combinations or bundles new or no longer supported).
- Let your partners know early about any product-file problems you are seeing, such as confusion about which title, format or price is intended.
- Be prepared to grace issues while problems are resolved so that the customer is not negatively impacted.
- Communicate "previous-agent" subscription IDs if a transferred subscription is involved.
- Try always to pay in the expected currency (usually stipulated by the publisher).

DON'T

- Send payments with cryptic or no details on which orders they are supposed to pay for.
- "Sit on" known problems: apart from causing delay and extra cost, they won't get any easier to solve when the trail has gone cold!
- "Rob Peter to pay Paul". In other words, resolve payment mismatches at the order line level, rather than compounding the problem e.g. by borrowing more payment from a batch header and thus compromising the payments for other, correct order lines.
- Try to resolve a problem for an order coming through an agent by contacting the end-customer direct.
- Put off detailed problem-solving and reconciliation operations until late in the renewals season.
- Silently put subscriptions or access on hold without informing business partners and the customer.

6. Longer Term Messaging Improvements

The best practice recommendations described earlier apply to business conducted using the existing standards and procedures familiar in the subscriptions industry. Clearly, we need to work with the tools we have to produce the best outcomes for customers, and thus for the agents and publishers who supply them.

But technologies and methods have moved on significantly since the very print-focussed world of the 80s and 90s and the ICEDIS standards that were created during that period. Internet-based commerce, underpinned by web services and XML/HTML technologies, is a basic feature of life – to the extent that some of the improvements it has brought now go generally unremarked. Key among these are much improved data quality and immediacy of response.

The ICEDIS working group on Price/Payment Reconciliation believes that significant improvements could be achieved by prompt acknowledgement of every subscription order or renewal instruction – in other words, a response at the order-line rather than batch total level. Such a response would in simple cases acknowledge an incoming instruction and confirm that it had been properly processed. In potential problem situations it could alternatively advise "up front" of the nature of the problem and map out the next steps proposed or requested.

This would ideally involve a matching pair of messages, covering "order and response", similar in concept to those developed for claims and claims response. And such a message pair might be more effectively be run using web services connecting agent to publisher, with each order line being processed one at a time and completely, rather than in the multi-line batch mode used in existing ICEDIS ordering and renewals exchanges.

7. Next Steps

The draft recommendations presented here are intended as a contribution to the ongoing improvement of order and renewal processing for subscription products. It is hoped that dissemination of these ideas within the industry, perhaps particularly to those newer to the subscription market, will support training and process improvement and encourage close cooperation between publishers, subscription agencies and others actively involved.

The parallel suggestions about order/response pairs of messages have also been submitted to the main ICEDIS Committee, for consideration as and when work goes forward on re-engineering the original ICEDIS message set. It is unlikely that these changes could be accommodated within the older message framework, though it would be relatively straightforward to incorporate them within the newer generation of standards expressed in XML, such as the ICEDIS New Orders message.

8. Acknowledgements