



**The next challenge
in B2B information:**

The shift beyond workflow
to business solutions

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Methodology

The findings of this white paper have been developed through interviews with senior executives at a range of leading B2B information businesses, private equity investors, and market commentators, combined with the knowledge and expertise of AMR International and DeSilva+Phillips in the sector.

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Executive summary |

B2B information is shifting toward solutions that more directly impact customers' business goals; this will create significant new revenue opportunities. This change will have implications on the market, including the competitive landscape, how information providers are structured and how they approach customers.

■ There is a growing trend of B2B information businesses providing solutions that more directly address specific customer business goals: cost reduction, productivity improvement and revenue growth. For example:

- In banking compliance, solutions now exist to reduce headcount through automating processes.
- In healthcare services, there are solutions that directly aim to reduce drug expenditure, and increase the efficiency of doctors.

■ As information providers seek to maintain fast growth, this shift is expected to continue:

- Future gains from the development of workflow tools will only provide incremental customer value and are unlikely to sustain historic growth rates.
- Customers are seeking a clearer connection between information products and their overall business objectives.
- Winning solutions will be able to tap into larger customer budgets.

■ To deliver information solutions, providers may require a blend of capabilities beyond the current content and workflow offering:

- Advanced technology: including predictive analytics, visualization platforms and decision support tools.
- Services: process orientated services that currently cannot be automated.
- Consulting: retainer based, this provides additional insight built on top of content and analytics.

■ To sustain growth and to build and maintain a defensible position, B2B information providers face a number of strategic challenges:

- Set a clear strategy to embrace this shift.
- Identify and acquire the right mix of capabilities to create solutions aligned to customers' specific business objectives.
- Assess new competitive threats emerging from technology and consulting businesses that are developing information solutions. This also creates new acquisition and partnership opportunities.
- Rethink their go-to-market approach; they will need to educate and sell to senior decision makers within client organizations. The resulting sales cycle will become longer.

Introduction |

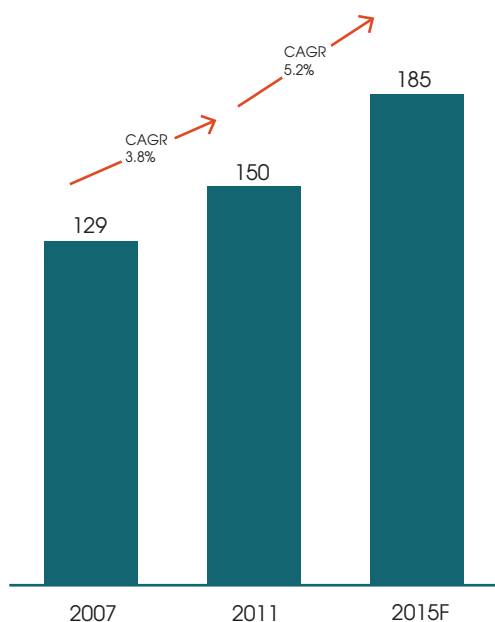
An attractive, diverse market where technology is enabling significant transition

The B2B information market – defined as the supply of quantitative and / or qualitative information, knowledge, insight and related tools to customers – is diverse, spanning a range of industries, functional areas and business models.

As traditional content offerings came under pressure from cheaper, alternative sources, B2B information providers innovated through the development of software-enabled content and workflow tools. These new technologies have driven growth in the market, by adding value to customers through better insight, more efficient workflow and improved compliance. Now, workflow tools and software-enabled content are becoming ubiquitous across most sectors.

This shift towards more software-enabled content has also been reflected in product development and M&A activity. Established B2B information businesses are focused on acquiring assets which provide additional workflow and technology capabilities. These software and workflow-focused assets, such as IHS's acquisition of Seismic Micro-Technology at 20x EBITDA and Thomson Reuters recent acquisition of Practical Law Company, continue to command higher premiums than more traditional publishing and content assets.

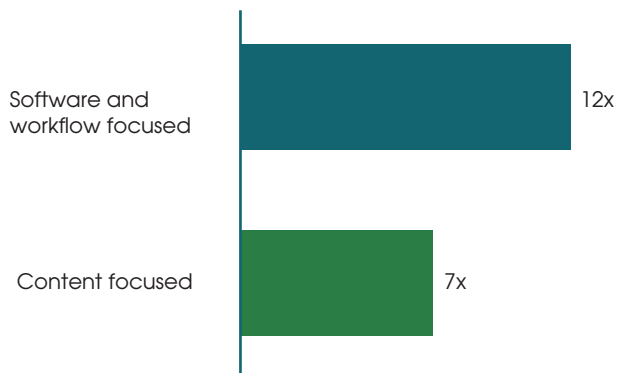
Revenue and Growth in the B2B information market (\$bn)



Note: Market size based on content, data, and analytics revenue of B2B information providers. This excludes advertising, book and magazine publishing, and events.

Source: AMR International

EBITDA multiples (2012)



Note: Average EV/EBITDA multiples for relevant deals announced in 2012.

Source: Capital IQ, DeSilva + Phillips, AMR International

The next evolution |

Alignment of information solutions to business goals

Historically, innovation in software-enabled content has primarily been focused on end users and improving their workflows. However, as the penetration of workflow tools increase, further innovation is leading to incremental, rather than substantial, benefits to the customer.

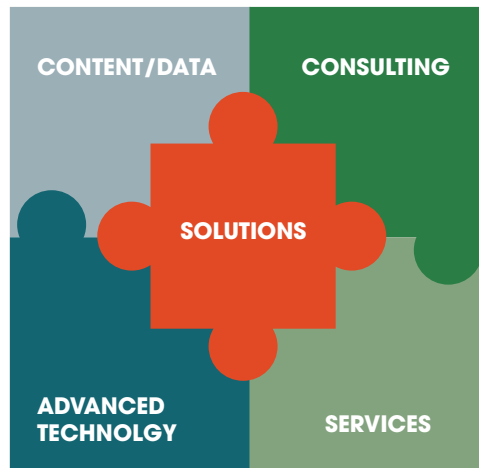
At the same time, customers are increasingly seeking a clearer understanding of how information products impact their overall business objectives. Products that are unable to demonstrate a ROI with customer outcomes face increasing budget pressure.

As a result, to sustain future growth, information providers need a shift in mindset. They need to focus on solutions that more directly meet the specific business goals of their customers.

Although this development is relatively new within the B2B information market, this has already occurred in a number of other industries:

- In facilities management, the military no longer just outsources labor for vehicle maintenance; it contracts its suppliers to deliver a set number of hours of vehicle availability.
- In IT, there has been a shift from a hardware products emphasis towards a services / system based industry.
- In B2B advertising, lead generation, which demonstrably links sales leads with marketing spend, has emerged from basic display advertising.

The implications in each of these industries have been profound. In order to maintain growth, suppliers have had to alter operating and pricing models, sales and marketing strategies and approach to product development.



Within B2B information, providers will need to adapt to this shift by extending the scope of current business models. A number of capabilities, beyond existing content and workflow tools, will need to be added:

- **Advanced technology:** integrating proprietary, third party and customer content / data to develop predictive analytics, visualization platforms and decision support tools.
- **Services:** combining data, technology and people to deliver more customized content which currently cannot be fully automated.
- **Consulting:** typically a small portion of the overall offering sold through a retainer based model, consulting capabilities provide customized insight built on top of content.

The blend of capabilities required for each solution will vary by sector and customer, depending on what they are trying to achieve, and the level of technological sophistication of their end users.

B2B information is primarily used to achieve three major business goals: cost / risk reduction, productivity improvement, and revenue generation. The trend to solutions can be seen in each segment.

Cost / risk reduction

A traditional focus of information providers has been improving end user workflow to generate cost efficiencies. This new focus on business goals allows innovative information providers to assist customers in directly reducing headcount, reducing the risk of adverse events or cutting procurement spend. Solutions addressing cost reduction can be either purely software / content based or they can incorporate services where technology alone cannot fully realize savings.

For instance, within healthcare services, an imperative is to reduce drug costs. Information providers have created tools which, when linked to electronic medical records (EMR), can identify the generic version of brand name drugs at the point of prescription. This solution creates cost savings for payors as physicians are alerted to less expensive substitutes.



Case study: Compliance function in banking

Increased regulatory scrutiny of anti-money laundering (AML) programs has compelled financial institutions to strengthen their customer due diligence and transaction monitoring processes. Together with an increasing number of payments, this is causing AML departments to expand.

While high quality commercial watch list databases and filtering software continue to play a critical role in effective screening, integrated solutions are starting to gain share. Such solutions combine existing databases with smarter filtering software and an additional analyst checking service. The combination of data, technology and service leads to a more efficient AML due diligence process, resulting in headcount savings while maintaining compliance integrity.

By offering a more integrated solution, information providers have been able to capture more value from their customers, from both information and headcount budgets. Furthermore, customer reliance on a full service offering increases the stickiness of such a solution. High switching costs imply that this emerging type of business model will create a strong, defensible position in this market.

Productivity improvement

Current workflow tools are relatively well aligned to the goal of productivity improvement. However, developments in these products tend to focus on the existing end user process. There is potential for new solutions to merge or replace parts of the workflow, mostly through the deployment of advanced technology solutions. This creates more significant time savings, particularly for professionals (e.g. lawyers, engineers, doctors) and allows them to increase utilization.

For example, within healthcare services, there have been a number of initiatives focused on reducing the consultation time required for medical professionals. Order sets are standardized order lists of diagnostic and lab tests, as well as drug prescription orders for a certain condition. Traditionally doctors needed to tailor each order set manually based on a patient's current condition, allergies and prescriptions. Information providers are now developing order sets which are integrated with the EMRs, thus automatically individualizing the order set for each patient. Now doctors can reduce the administrative time spent on patients. In addition, order sets provide a clear audit trail of best practice, reducing the risk of litigation.

In energy information, operators across the value chain are increasingly seeking solutions which marry data with analysis in order to improve the efficiency of analyst's time. Solution providers have developed advanced data visualization platforms which integrate internal and third party content with analytics and automate functions to speed up frequent user tasks. Currently, over two thirds of information spend in the US and EU power market is on decision-support tools, solutions and analysis, rather than paid for content.

Revenue growth

Existing information products, primarily in the form of data and analytics, typically support decision making rather than directly impacting customers' businesses. These products tend to be more informative, with generic content, rather than customized to specific business goals.

The emergence of 'big data' and the associated challenges are leading to the need for a more integrated solution, where the collection and provision of data is coupled with analysis and advice. Customers appear to be increasingly open to third party providers assisting with these challenges.

For more sophisticated customers (e.g. financial traders), where data modeling and interpretation is core, content will retain the greatest value. For less sophisticated customers, there is a larger opportunity to provide higher value solutions through analytics and in some cases, advisory.

In B2B financial information, the customer use case and user sophistication determines the most appropriate solution, even though the underlying content is the same. News on economic indicators, for example, is of interest to financial advisors, who need to be knowledgeable about the economy's direction to advise their clients properly. This leads to increased assets under management. The value-add for financial advisors arrives through insight and analysis from market experts.

On the other hand, high frequency traders can make direct use of the information. They program their algorithms to place large volume trades microseconds after the information reaches them. In this situation, the value for the customer comes through ultra-fast delivery of accurate data, in a machine readable format. The automated nature of these algorithmic trades also generates a direct linkage between the information provided and the user outcome, as determined by the resulting trades. This allows for more demonstrable ROI for both the user and the information provider.



Case study: Retail data

Traditionally, retail data businesses collected, collated and disseminated point-of-sale data. Brands and retailers used the information to assist with making decisions about which brands and SKUs to stock, how to price products and how to direct promotional spending. As data sources have multiplied, tools have emerged to help users interpret and analyze trends. However, data and analytics were not used at the strategic level, thus limiting their value.

The early providers of a solutions based approach have begun to integrate existing data and tools with advanced predictive analytics, shopper insights, and advisory services. Providers have also shifted their sales strategy from engaging with the analyst, to advising strategic decision makers in innovation and marketing. These solutions provide more actionable information to the appropriate audience.

These solutions have required information providers to deepen both technical knowledge and retail expertise. Ultimately, this has enabled information businesses to access new budgets from more strategic stakeholders.

Implications |

Although currently an emerging shift, aligning information solutions to customers' business goals will be key to sustaining growth and competitiveness in B2B information over the next five years. New business models will open significant new revenue opportunities, previously outside of traditional information budgets.

However, in order to fully take advantage of this shift, there are a number of challenges which face B2B information providers:

■ **Set the direction:** Information providers need to recognize that this shift could have a significant impact on the culture and mindset of their businesses. This requires a clear strategy, which sets out the extent to which the organization will embrace this shift, and the actions required for this to happen.

■ **Identify and acquire capabilities:** As we have seen, business models will need to evolve. This may require information providers to extend beyond content and workflow tools to incorporate advanced technology, consulting and service elements. These steps will enable them to have the greatest impact on their customers. As a result, future product development will need to include not only technical expertise, but also domain expertise. Both are necessary to ensure that the right content and analytics are captured, and that they are applied directly to meet specific customer goals.

■ **Assess new competitive threats:** Integrated information solutions will also lead to the emergence of new competitors in the form of technology providers and consultancies. This is already happening in markets such as healthcare information where EMR providers are acquiring content providers and consultancies are building data and analytics products to enhance their existing offerings. As new competitors enter the market this creates opportunities for acquisition and partnership.

■ **Rethink the go-to-market approach:** A shift in mindset from marketing products to solutions will be required. This necessitates a more sophisticated sales force, capable of educating and selling to senior decision makers. The sales cycle will lengthen as approval for higher value solutions involves additional stakeholders.



Checklist for information providers to move into solutions

- What are the specific, strategic business objectives of your customers?
- How should your existing operating model to create solutions that more directly address customer business objectives?
- How do you acquire these missing capabilities? Is acquisition, partnership or organic investment the best strategy?
- How should your existing go-to-market strategy evolve to sell new information solutions effectively, and capture an appropriate share of the value created for your customers?

About |

AMR International

AMR International is a strategy consulting firm specialising in media, information and technology. Founded in 1991, AMR is focused on building strategies for sustainable growth.

We firmly believe in strategy that begins with customers, and not merely business theory or the pressures of quarterly reporting. AMR provides insight and expertise to many of the world's leading media, information and technology groups as well as strategic and commercial support to investors in the sector. We work closely with management teams operating within our specialist practice areas to help them achieve their goals through growth strategy, pricing or acquisitions. AMR has a dedicated practice covering the B2B information industry.

AMR has completed over 1,000 strategic engagements, and helped our clients on hundreds of transactions within our specialist sectors, with deal sizes ranging from \$10m to over \$3bn.

AMR has over 60 dedicated strategy professionals supporting our clients around the world. We operate as a single global team with offices in New York, London, Frankfurt, and Paris as well as an established presence on the ground in major emerging markets.

AMR International's B2B information practice

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About |

DeSilva+Phillips

DeSilva+Phillips is a New York-based investment bank that advises dealmakers in every area of the media, information services and related technology markets.

DeSilva+Phillips provides M&A advisory and corporate restructuring services and private placements of debt and equity, and has completed more than 250 transactions since 1996. Its broker-dealer affiliate, DeSilva+Phillips Corporate Finance LLC, is a member of FINRA and SIPC.

DeSilva+Phillips investment banking advisory services are dedicated to serving clients across the full range of today's traditional and digital media, information services, advertising, marketing services, education and healthcare communications. Over the past 15 years, we have played a key role in the transformation of the traditional media model to meet the needs of today's users and commercial supporters.

Since 1996, we have delivered billions of dollars in value to more than 300 clients by applying our deal-making expertise and our extensive knowledge of buyers, sellers, investors and lenders in these highly complex and dynamic markets.

Our Partners and Managing Directors dedicate, collectively, their hundreds of years of experience in all aspects of media to achieving maximum value for our clients – not only as investment bankers involved in scores of transactions, but also as experienced media entrepreneurs, CEOs, CFOs, and Internet pioneers.

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