

## European Online Business Information Market – 2002 Trends

### DEEDS

#### Overview

The aim of this paper is to highlight some current trends in the European online business information market based on recent IRN Research and to highlight some implications for SMEs in the context of the DEEDS access to knowledge workshop held on December 16-17, 2002 in Luxembourg.

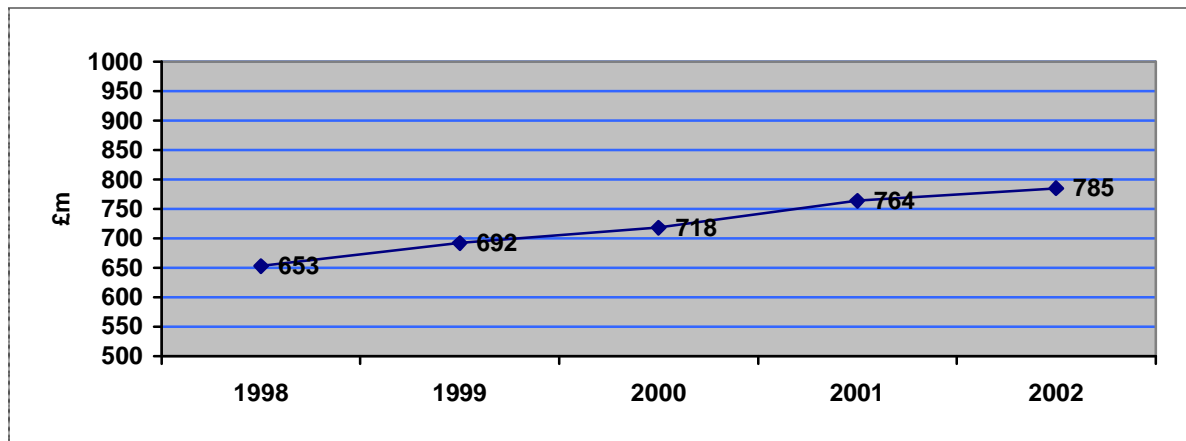
After a period of years of healthy growth, the European online business information market witnessed only modest sales growth in 2002 and the pressure on margins for many suppliers continued. National markets within Europe continue to show different levels and patterns of growth and the overall trend was away from development. This has meant that the development of online business information products and services for SME's has taken an even lower priority and any stimulation of demand from SME's for online business information is unlikely to come from existing suppliers of online business information and services. Initiatives such as the DEEDS programme developed through the specificity of sharing information in local communities is an opportunity to expand and improve the knowledge access of SMEs with relevant online business information content.

#### Market Trends

IRN's definition of the online business information market does not include scientific, technical and medical information. In 2001, the total European online information market including scientific, technical and medical information was worth £984 million of which 76% or £764 million was accounted for by online business information. The main categories of business information include company information, financial information, commercial news, market research, legal information and other information. Overall company and financial information is the largest sector accounting for 30% of online business information sales while the other sectors account for similar percentages, around 15% each. Generally, managers and directors use business information to aid business decision making for tactical and strategic reasons but online business information is also used for some operational reasons such as commercial credit checking of suppliers and prospective clients. For example, most online company information systems are used for competitor intelligence as well as credit checking by credit managers. Tactical and strategic business decision-making tends to increase in times of economic growth while tactical needs for business information tends to increase in times of economic growth and downturn.

Research amongst both suppliers and users of online business information points to only modest growth of 2.7% at current prices in the European online business information market in 2002. This is below IRN's forecast of growth of just below 4% at the start of the year with depressed stock markets, weak M&A activity, restructuring in core user industries such as financial services and consultancy, and low levels of advertising spending all contributing to weaker growth than anticipated. The total market value (including spending on online aggregators, company information, news, and market research information by corporate, government, academic, and other users) was estimated at £785m in 2002.

#### ***Figure 1 Growth in European Online Business Information Market, 1998-2002***



Source: IRN Research

Within this overall picture, IRN user research points to a further reduction in the use of general aggregator services, and some increased use of more content-specific sources. More users are identifying one (or maybe two) preferred online aggregators (compared to the use of perhaps three or four in 1999) while turning to specific services covering selected industries or information categories. A typical user comment comes from a senior information manager in a UK-based insurance company – “we are spending less on general aggregators and more on specialised and niche services”. Many of the specific company, market, and economic information services have invested in new product developments with an emphasis on subscription-based services, with entry levels at various price points. There are signs, however, that the growth in new subscriptions has been slowing in 2002 for many of these companies and any significant new revenue is more likely to come from added-value services to existing clients. However, this is the picture for large users of online business information services. Many SME’s are ad hoc users of online business information and dip in and out of services as and when required. The online business information churn rate for SMEs tends to be higher than large companies and anecdotal evidence suggests that the growth trend in SME demand for online business information has been even slower than the market overall.

The reaction of the main general online business information providers to new content access platforms and the significant role of free content on the web has been to develop information solutions rather than content. There has been a realisation by the general business information vendors that to rely on content will erode share to direct sell content providers distributed through many platforms. Both online aggregators and many other services are becoming not just suppliers of content but also information solutions companies offering enterprise-wide information services and integrated solutions to content delivery and management. Information vendors are increasingly partnering with software and portal companies to offer this integrated approach, and to differentiate their offerings from basic content suppliers. Customised solutions for individuals and departments within enterprise-wide information models, and the embedding of content into workflows is the route envisaged by vendors to lock-in corporate clients into their services. Since information solutions started in 2000 few general vendors now rely on information content products only. This has meant that aggregators have focused more on large corporations in the last two years and any concerted effort to market to SMEs has been dampened from an existing low base. So far, the uptake of these new integrated services has mainly been concentrated on a few large corporates and it remains to be seen if these new information solutions services will drive sales forward. SMEs have become a lower priority for general vendors as SMEs are less likely to desire information solutions except for a few knowledge and information based consultancies.

Specialist niche services such as online market research publishers cannot get the economies of scale of marketing to make it worthwhile marketing to SMEs and are relying on e-commerce web report slice solutions for the ad hoc SME user. The competitor landscape is shifting if anything away from SMEs to larger corporations although there are some local and

national initiatives that may reverse this trend. More SMEs are accessing free business information from the web.

In user panels conducted by IRN in 2002, major obstacles identified by information professionals to the development of enterprise-wide information solutions are the failure of management to provide the stimulus, and sufficient resources, for such initiatives. It appears that many senior managers still fail to understand the significant role information and its effective management can play in the performance of an enterprise. Other user research notes that between 60% and 70% of information professionals in the corporate sector now work in organisations where other professionals, apart from information staff and librarians, purchase external online information independently.

The majority of content buyers are unlikely to see any significant increase in budgets in the next 12 months and, in this environment, the buyer emphasis will be on value-for-money and targeted content. Providers willing to show price flexibility will have the best chance of building market share, along with those willing to invest more in customer relations and customised solutions for specific clients. Persuading clients to spend more on added-value services in this climate will not be easy: lead times between sales pitches and any deal closures are likely to increase. Given the comments above about senior managers, successful external information suppliers are likely to be those willing to take an active role with internal information champions and intermediaries in helping to promote the role of effective information use on ROI, and targeting information solutions higher up the management chain.

While overall sales growth in Europe has been low in 2002, IRN Research continues to stress the differences in national markets across Europe and the importance of investigating individual national markets for unique growth opportunities. Some of the larger European national markets, such as Germany and to a lesser extent the UK, have experienced only limited growth in 2002, but some smaller markets have been more dynamic. National differences in market emphasis and development can also show new opportunities and threats. Table 2 emphasises the differences between two national markets in Europe: a breakdown of the main UK and Spanish suppliers of online business information (as identified by core users in these countries) shows a distinctly different supplier profile for online company information, for example, in Spain than in the UK. The Spanish online aggregator market is also less well developed although this market is changing. National company information suppliers like Informa are diversifying into other business information areas while business information portals, such as e-Infoma and Guíame, are developing a wider range of content through syndication deals. For those international players still trying to develop market share in some of these smaller European markets, syndication deals and third-party distribution deals with local services and portals may offer the most effective method of market entry and penetration.

**Table 2: Key Players in Business Information Sectors – UK and Spain**

	Aggregators	Company Information	Market Research Information
UK	Alacra Dialog/Datastar/NewsEdge Factiva Lexis Nexis One Source Proquest	Bureau van Dijk Datastream D&B Hoovers ICC Perfect Information Thomson Financial	Datamonitor Euromonitor Frost & Sullivan Gartner Intel Key Note
SPAIN	Dialog/Datastar Factiva IBE Informa	AXESOR ARDAN Bureau van Dijk Camerdata D&B	DBK

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Source: IRN Research

### Supplier Landscape

After a period of intense M&A activity in the online information industry in 2000 and 2001, the online industry has mirrored general trends with a much quieter year in 2002 particularly in Europe. Rather, the emphasis has been on internal restructuring and re-focusing of businesses. There are now three major online business information groups have developed as pan European players. They are Thomson Corporation, Lexis Nexis and Factiva. These entities were a result of mergers and acquisitions of information content aggregators prior to 2000. There are also major players in specific information sectors of the online business information market such as Dun & Bradstreet for company information, Frost & Sullivan for market research and Lexis Nexis for legal information. There are also many vertical market content providers and national players.

**Table 3: Key European Mergers & Acquisitions, Spring 2002 onwards**

Company	Acquisition
Ambient	Purchased further shares in WMRC to take holding to 76.6%
Bureau van Dijk	Acquired UK M&A information company Zephus (May 2002)
Datamonitor	Acquired Computerwire (news and analysis on IT sector) in Oct 2002
ICC Information	Acquired company search business of Wilmington Business Information
Lexis Nexis	Purchased MBO Verlag (Oct 2002), German legal, tax, and regulatory information business
Sweet & Maxwell	Acquired Lawtel from Centaur Communications (Aug 2002)

Source: IRN Research

Few online business information companies have witnessed good returns in 2001/2002: for most suppliers to the European market, the last 12 to 18 months has been a period of limited sales growth and low margins. Virtually all suppliers have taken a hard look at their cost base. At the same time, many have introduced new premium services to boost subscription incomes, reduced their dependency on advertising revenues, and, in some cases, trimmed back services to concentrate on core activities and eliminate non-profit making ones. IRN expects these initiatives to start to improve margins for many suppliers in 2003 although the pace of improvement could be too slow for some struggling operators. There is no evidence that suppliers are attacking SMEs to improve contribution and profits.

**Table 4: Sales and Profits of Selected European-based Information Companies+**

Company	Sales £m	Pre-tax profits £m	Margin (%)	Comments
Bureau van Dijk (UK)	8.5	0.1m	1.2	UK sales only
Datamonitor	35.4	(2.7m)	-7.6	Sales in 6 months to June 2002 - £15.4m (£18.7m in 2001) and pre-tax loss of £3.36m
D&B Europe (\$m)	342.1	25.2	7.4	Sales in 9 months to Sept 2002 - \$225.4m (\$242.5m in 2001) and operating income of \$11.9m (\$2.5m in 2001)
Economist	227.0	15.0	6.6	

Group				
EIU	35.3	0.1	0.3	
FT.com	51.0	(60)*	-117.6	Sales in first-half 2002 - £23m (£26m in 2001) but losses down to £24m from £38m in 2001.
Hemscott	5.1	(3.9)	-76.4	Sales in first half 2002 - £2.5m (£2.7m in 2001) but losses down to £1.4m from £2.1m in 2001.
ICC Information	13.4	2.3	17.2	
Perfect Information	4.0	0.2	5.0	
WMRC	5.5	(8.4)	-152.7	Sales in 6 months to June 2002 - £2.5m (£2.4m in 2001). Loss down to £2.8m from £3.2m.

+ - latest financial year

\* - operating loss

Source: IRN Research

Growth in the online business information market was driven in the late 1990s by web-based services on the desktop, more flexible delivery channels and more pricing options including pay as you go. IRN's surveys do not suggest that the new ways of accessing and paying for online business information led to an increase in penetration of SMEs for online business information services. There was an increase in the penetration of end-users in large corporations at the expense of information professionals in large corporations. This was a result of information professionals/library departments pushing information out to end-users. Some vendors such as Dialog have products directed at SMEs but the growth in SME use of online business information was lower than the growth in the use of online business information by end-users in large companies.

This trend was replicated throughout Europe although there are undoubtedly some local differences in national markets that IRN's surveys have not highlighted. UK, Germany and France dominate the European online business information market. Collectively, they account for 75% of the market with the UK's share at 39%. In 2001, the market value in the UK was £297 million compared with £140 million for France and £137 million for Germany. In 2002, the UK lost some share as growth in the market overall slowed to 2.7%.

#### Implications for SMEs

The current state of the European online business information market suggests:-

- There is little and less strategic focus on SMEs by vendors
- This is despite the increase in many pay as you go services available for end-users and SMEs
- SMEs have always been low users of business information
- The stimulation of online business information by SMEs is unlikely to come from online business information suppliers
- The increase in the use of business information by SMEs must come through the desire for the need for business information

Although the current situation and outlook for the use of online business information by SMEs is not positive, some the processes and developments coming out of the DEEDS programme could have a positive effect on SME use of online business information. The DEEDS programme has determined, among other things, that access to knowledge for SMEs favours communities and the specificity of sharing information among local clusters as well as trade

associations and professional associations. Initiatives that bring together SMEs to share common issues and problems will undoubtedly lead to a desire to exchange and share information. In some circumstances the development of digitally linked communities will stimulate the use of online business information although the content held in such systems will not be the same as those held in the existing large online business information systems.

Currently, although many SMEs do not have access to ICT infrastructure or networks, those that do have very little access to relevant information and knowledge unless they are a knowledge-based business that they sell knowledge onto other businesses. The relevant business information required by SMEs to make business decisions has not been available (digitally or otherwise) because the overhead to share and disseminate information has outweighed the benefit. Increasingly access to ICT infrastructures and networks are reducing the overhead to share and disseminate information but for many communities the mechanisms to compile and disseminate business information have not been developed. The localised and specific nature of the business information required by most SMEs means that it is not economic for existing online business information providers to provide such systems. They will come through the initiatives and direction of programmes such as DEEDS.

Fred Hitchins – Director, IRN Research.

#### About IRN Research

IRN research is a leading market research consultancy with a particular focus on the UK B2B sector having published dozens of market reports and consulted on numerous projects in this area.

IRN Research is a member of the British Market Research Association (BMRA). It is committed to the BMRA Quality Charter, which lays down the minimum service standards of the Market Research Quality Standards Association (MRQSA).

IRN is staffed by graduate and postgraduate specialists in information, research and statistics and has a panel of experienced telephone interviewers. This highly professional team has a first class track record in researching UK markets and offering an extremely cost effective service to clients.

The Bonnier Group (a Swedish media, publishing and information company with \$1bn turnover) has a 25% shareholding in IRN Research through its UK subsidiary, Key Note, a market research publisher. Connections with the Bonnier Group provide IRN with ready access to business information sources in many countries.