MARKET TRENDS: DOING BUSINESS AT THE TIPPING POINT

Informa operates within the Knowledge and Information Economy, a burgeoning sector that is global in nature and fast-moving.

To provide an independent understanding of this market and a perspective on external trends that could affect the Company's continued progress and performance, Outsell, Inc. a leading research and advisory firm focused on media, information and technology, highlights the tipping points it believes will impact the sector in 2016.

DOING BUSINESS AT THE TIPPING POINT

Outsell, Inc. Co-Founder and CEO Anthea Stratigos

The information industry is an array of segments with revenues totalling almost $800bn, including news, market research, business media, data services, events, scholarly publishing, financial and risk information, training and education. Add in gaming, music and entertainment and it serves a broad set of needs around the world. And all of its contours are undergoing profound structural change, a result of technology's ongoing and persistent march. Underlying growth in the industry ebbs and flows with the economy – in recent years in low single digits – mirroring GDP and the budgets of the customers it serves. There is rapid expansion in tech-fuelled areas such as analytics, and a legion of new entrants and would-be disrupters. A constant cycle of growth through mergers and acquisitions adds fuel, with the newcomers providing the engine for innovation and boosting growth for large acquirers. In many sectors a handful of companies dominate, the middle is hollow, and a long tail wags.

Against this backdrop several important market trends are unfolding:

CONVERGENCE

In the new networked digital economy, everyone is a publisher and part of a global conversation. Today's information solutions providers operate in a complex environment where categories are blurred and traditional boundaries fluid. The convergence between content, commerce, community and the tools that support them requires businesses not to remain trapped in just one category. Publishers are

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now software companies too, building platforms and applications to make information intelligent and actionable. The most powerful of these platforms are built to open standards with connectors and application program interfaces or APIs. They become ecosystems hosting content and services not just from the company itself, but from clients and third parties – even from their competitors. At the same time, technology firms are in the business of content: not just hosting it, but actively seeking out data partnerships and acquisitions to make their workflow environment the destination of choice.

FOCUSED SCALE

As the industry has converged in this networked world, size really matters. The power of any network increases exponentially with the number of members. So the biggest online communities, search engines, and e-commerce markets scoop up most of the available profits. And only a small number of information platforms can achieve the scale to support and sustain the investments required to compete effectively.

Recent years have seen aggressive portfolio management across the information industry by the largest companies, buying and selling assets to drive what we call focused scale: being among the clear leaders in a specific sector rather than a small or medium-sized player in multiple markets. Diversification without scale is not a winning proposition. Achieving that kind of focus requires ruthless scrutiny of assets. Even high performing operations may have to go in order to liberate capital and resources for activities that can contribute to securing market leadership positions.

NEW FORMS OF COMPETITION

The other consequence of convergence is multi-dimensional competition. The long tail is wagging furiously, invigorated by the optimism and healthy innocence of start-ups unburdened by legacy models of what an information business looks like. Technology rather than content is often their starting point, solving new customer problems or attacking old problems in new ways.

Start-ups have cheap access to unimagined computing and storage power in the cloud, a benign funding environment, a data universe of open APIs, and the "gig" economy of talent for hire. This is the research and development engine of the industry, coming up with new forms, new content and new ways of doing businesses, informed by the primacy of mobile consumption and social sharing and collaboration. They come to market quickly with lower costs and no traditional transformational journeys, using agile development to test, learn and pivot. They take market share with products not even in beta, discovered by curious users rather than sold to an enterprise buyer.

Information businesses are also increasingly competing with some of their own clients. Publishers of legal information buy legal process outsourcing companies and services offering practical self-help tools to lawyers. Meanwhile law firms start positioning unprofitable low-level legal work as information services, delivering commoditised legal content to their own corporate clients via online platforms. We have become accustomed to "co-opetition", where competitors become "frenemies" and partner in some areas. Now we are entering a phase where customers become rivals: call it "custompetition"?

GOLD IN THE DATA

In this new information era, words still have their place. But rich seams of gold are now in the data. The world is creating 2.5 exabytes of data each day: from photos and video uploaded to social media posts, purchase transaction records, mobile phone data, countless sensors on machinery of all kinds, and myriad other sources. We need 2.5 million new high spec home computers to store the data from the internet of humans and things. Every day.

Increasingly powerful analytics software is the essential equipment for goldminers in the age of big data. It is no longer sufficient simply to use such tools to describe what the data might be saying. Even predictive analytics, making probability-driven forecasts about what may happen in the future is giving way to prescriptive analytics – recommendations about what possible actions to take based on the data and the context. This is the new frontier and where successful companies will live.

Enterprises of all kinds now emit and collect data as part of their digital existence and see information and data services as part of their long-term competitive differentiation. A whole new class of acquirer, prepared to pay great multiples, is emerging for young, tech-infused companies. An agrochemical company buys a business selling precise and detailed data to farmers about climate and other conditions affecting crop yields; a software giant buys the world's leading weather forecasting company.

In the big data world, no single company can possibly house or control everything its analytics engines might need and the field in all sectors is ripe with activity as machines interact in the new era. But it is essential for companies in the industry to have a data and analytics strategy and the platforms to deliver it in order to secure market leadership.

SOURCE: IBM

FACE TO FACE

Our research consistently shows that the more our world goes digital, the more important face-to-face interaction becomes. Trade shows, conferences, training: events small and large that bring professionals together still matter and are highly valued. Companies pay for their people to attend, they sponsor events, and more than ever they are spending on staging their own events as a key way to reach customers and prospects and provide strong Brand experiences. In the world of professional training, in-person courses remain stubbornly popular.

Digital communities and online learning now offer the possibility of bridging the physical and the virtual into a 365-day experience. The acceleration of virtual reality technology points to further transformation, extending and complementing face-to-face engagement but without replacing it.

CHANGING EXPECTATIONS

Above all, the demands of clients and users are evolving rapidly. A generation weaned on the abundance and the freedom of modern consumer digital riches is bringing those expectations to the workplace. They want the business environment to be just as open. To succeed, information businesses need to serve users on any device, at any time. They have to facilitate sharing and collaboration. They must welcome users contributing new content to their platforms and allow them to apply their tools of choice to bring insights to the data. They have to look outward, harnessing new ideas and innovation from all sides. They need to adapt to the new ways human beings interact with machines, how machines communicate with each other, and how computers start to learn and reason like humans.

Those who master convergence, embrace data, achieve focused scale, deal with new competition, and keep up with ever faster cycles of innovation and changing expectations, will be the ones to succeed in an information industry at the tipping point.

This article is contributed by Outsell, Inc. Co-Founder and CEO Anthea Stratigos and represents the view of Outsell, Inc., which is solely responsible for its contents.