FLASHES & FLAMES

How RELX turned print to data

By Colin Morrison

Behind RELX's self-description as "a global provider of information-based analytics and decision tools for professional and business customers" is a whole world of media history. This is the UK listed company – previously known as Reed International and Reed Elsevier – which was once an integrated producer of paper all the way from the forests and mills to wallpaper, packaging, newspapers, books, directories, and magazines. It also manufactured paint. Forty years ago, the Reed CEO had described his strategy as the "5ps" – paper, paint, packaging, print and publishing. He wasn't joking.

RELX is the £36bn corporation that could write the book on transformation. It is the company that – even when it finally became a mere publisher – had been almost a monopoly provider of media and information for the whole range of consumer, business and professional audiences in the UK and beyond.

It is now a £7bn-revenue technology business, employing 33,000 people, providing "information-based analytics and decision tools" for professionals in STM, Law, and Risk. It is also the world's second largest trade show organiser.

Its fastest growing division is Risk where the US-based LexisNexis Risk Solutions analyses more than 170m transactions daily helping governments, corporates and the world's major banks and insurance companies to manage financial risk. More than 200k websites and mobile apps use its Digital Identity Network.

But almost buried beneath the soaring analytics is a UK-based company which provides a ‘best practice’ guide to how B2B magazine publishers can turn themselves into high-value information businesses.

Reed Business Information (RBI) was once the world’s largest B2B publisher with hundreds of magazines on everything from farming and transport to computing and hospitality. Its best-known brands included: Farmers Weekly, Caterer & Hotelkeeper, Computer Weekly, Flight International, Community Care, and Commercial Motor.

In the 1960s and 1970s, it had consolidated the “trade magazine” business in the same way as its one-time sister company IPC had done in consumer media. Its weeklies were turbocharged by the UK boom in national recruitment advertising. By 2001, RBI was brought together with Reed’s Cahners subsidiary in the US. Its revenue was £1bn.

Fast forward 10 years and profits were down by one-third, with just 25% from the US. By the time, it sold the legendary Hollywood trade newspaper Variety, RBI had exited B2B magazines in the US and divested a total of more than 150 print titles in 14 countries that just four years before had represented almost 50% of its portfolio.

The divestments were the sequel to the ‘will-they, won’t-they’ attempt by the parent company to sell-off RBI. In a model of ‘how *not* to motivate your managers’, the then Reed Elsevier decided to auction RBI in the dogdays of 2008. It was a painful year for the management, put through the hoops by private equity and being de-invited from parent company conferences, before the banking crisis depressed valuations and abruptly ended the process – just as private equity was ready to do the deal.

Reed withdrew in the worst way. It said it would instead try to sell RBI again “in the medium term,” when conditions were more favourable. So the rumours continued for the best part of a further year. The upshot was a 35% slide in 2009 profits and what CEO Mark Kelsey describes as “absolute crisis..In many ways we felt like an orphan, not wanted, not quite sure what to do.”

The real story begins not when Reed Elsevier tried to sell RBI but, in 1983, when Kelsey himself joined the company. The fresh-faced, fast-talking, football-loving MBA became a marketing executive on RBI’s Computer Weekly, a free circulation, jobs-filled newspaper which – a few years later – peaked at £20m revenue and £6m profits.

He subsequently became publisher of the free circulation Electronics Weekly where he identified the 15-20% paid subscriptions rump as a weakness in the competition for advertising with its pureplay ‘controlled circulation’ free rival. At the time, RBI had two circulation systems: one (subscriptions), for which only names and addresses were collected; and the other (free controlled circulation) to get advertising for which valuable demographics were collected. Inevitably, all the growth was in advertising.

Kelsey decided to ‘get rid of’ the 15-20% portion of Electronics Weekly’s circulation comprising paid subscribers – by sharp and frequent price rises – because they didn’t help the advertising story. It, ultimately, proved to be a win-win because companies were prepared to pay the price anyway. The upshot was Electronics Weekly reaching £6m revenue and £1.5m profit. In the middle of all this, Kelsey – with cool detachment and in contrast to what might have been seen as his own career interests – tried to persuade his bosses that the recruitment-led weeklies should be sold at what did, indeed, prove to be the top of the market. They didn’t agree, but the rising star had made his mark.

In 1990, when the company made its then largest deal to acquire Estates Gazette for £59m (10x profit), he became the Publishing Director.

Initially, he had to be persuaded to move into the acquired magazine’s Central London offices and away from RBI’s imposing suburban headquarters. Estates Gazette had always been highly profitable and insiders joked that Kelsey had increased its revenue just by adding a second fax machine to accept the unsolicited advertising bookings.

He was quickly into the strategy and realised that – while subscribers spent longer reading the property magazine than many other B2B brands – they spent even more time (and money) on databases that collated the real estate deals that already populated the pages and archives of Estates Gazette. At the dawn of the internet, Kelsey realised that the magazine could build a space-price-owner-lease database of, for example, all the office buildings in London. It prompted the 1996 launch of Estates Gazette Interactive (EGI).

Investing £1m, Kelsey hired 40 people (chartered surveyors and techies, not journalists) and installed them on a different floor to the magazine, in order to build a new culture. A year after EGI became an almost instant success, the company (which published Flight International and Airline Business magazines) launched Air Transport Intelligence (ATI) on the same lines: ATI charged users £1,000 compared with £50 for a magazine subscription. Even with the low internet pentration of the time, business people were starting to pay for fast and accurate industry intelligence. Kelsey was an early advocate of providing “the first screen of the day”. It became a template for the industries in which RBI has since built its digital portfolio.

In 1999, he again demonstrated his capacity to think the unthinkable by launching the digital recruitment site TotalJobs, even though it was directly competing – like other new-wave job sites – with RBI's weekly magazines. The company invested £20m in a new London-based operation – separate from the magazine sales teams – and grew TotalJobs at some 40% per year for almost a decade before selling to Stepstone for £110m. The incumbent beat the start-up, for a change.

Kelsey's 2008 appointment as CEO of RBI was followed by the abortive sale process – after then Reed Elsevier CEO Crispin Davis had openly described the company as "dull". But it all changed with the 2009 appointment of Davis's successor, Erik Engström

Engström – with a background in private equity – waved away previous doubts about the risk to short-term profits of selling-off magazines. He urged RBI to calculate the value of the brands over 3-5 years and, therefore, the benefit of selling sooner rather than later. Kelsey says: "That was the eureka moment. We went through all the assets trying to work out for which ones we could see a route to success and which ones we couldn't."

In the 12 years since, RBI has sold 65 magazines and been rebuilt round digital media in six of the business markets in which it had once been a highly successful print publisher: commercial property; agriculture; chemicals; aerospace; banking; and human resources.

In 2011, the reward for RBI's strategy was the £343m acquisition of the US-based Accuity which absorbed the long-established Bankers Almanac; and £70m was spent on the Ascend consulting business in aviation. It made similar catalyst acquisitions in chemicals and HR.

In 2012, Kelsey additionally became CEO of the LexisNexis Risk Solutions Group. The old RBI (last year quietly renamed LNRS Data Services Ltd) is almost hidden by the high-growth and high-value of the US-based risk business. But the 2019 accounts reveal a strong UK business with:

- £277m revenue / £48m PBT
- 65% of revenue ex UK
- 1,470 people (29% IT)

RBI's last remaining magazine is Estates Gazette which Kelsey may just be hanging on to for sentimental reasons, even though EGI is three times the revenue of the print. After the sale of Farmers Weekly last year, it may be only a matter of time.

In 2020, the worldwide LexisNexis Risk Solutions Group had £2.4bn revenue / £894m operating profit, respectively 4% and 5% up on the previous year. It accounted for 34% of RELX revenue and 43% of operating profit. In 2018, it acquired cybersecurity firm ThreatMetrix for $817m.

Before the exhibitions market (accounting for 16% of RELX revenue in 2019) collapsed in the pandemic, investment analysts had started to question whether the listed group should de-merge its then slower growth divisions (STM and Legal) in favour of Risk and Exhibitions. Those views will have changed, of course. But who knows when the former RBI (or some of its communities) will be jettisoned in favour of faster growth elsewhere?

Meanwhile, though, it represents a case study transformation: the ultimate shift from shrinking advertising-funded print to high-growth reader-funded digital. It's a neat counterpoint to the familiar story of traditional media reluctance to compete with its existing business – even though digital insurgents have no such inhibitions. The former RBI has been transformed by:

- Identifying the best data opportunities in markets where it had a "platform": knowledge, authority and content. Journalists and publishing archives were key parts of the process
- Developing new operations independently from the print-centric teams and expediting the digital journey with acquisitions

- Choosing the time to sell-off the print magazines in each community, in order to simplify the business and provide long-term growth. For all the profits of magazines (still), their messy complexity can slow the shift to digital and blur the focus

Using traditional resources to build the “runway” to a digital future is as relevant to newspapers and consumer magazines as to B2B media, of course. It requires strong leadership, long-term commitment and a determination to change – not merely to patch-up a broken business model.

This transformation owes much to the loyalty that Mark Kelsey inspires among his people. In some ways, the success is more remarkable because he is a ‘lifer’ who has lived through decades of boom and bust in one company.

Across almost 40 years, this shy man has built a personal popularity despite the sell-offs, redundancies and cutbacks. (The company now occupies only 15% of the headquarters it built in 1980.) Kelsey’s insistence on selling RBI magazines only to companies he thought would provide ‘good homes’ for his people has helped. As have his 30 years of playing for the company’s soccer-football team, and eating his lunch with whoever happened to be in the staff restaurant. A real winner.