



FUTURE BUSINESS

Is this Britain's most successful digital transformation?

Publisher Reed Elsevier, now RELX, embraced the possibilities of the web 25 years ago. Now it's worth £32bn.

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A quarter of a century ago, Reed Elsevier was famous as a publisher of academic journals and trade magazines. So famous, in fact, that in 1995 Forbes predicted the Anglo-Dutch group would be the very first corporate casualty of the internet.

Yet unbeknownst to Forbes, and while many of its competitors still saw the web as a distracting gimmick for IT nerds, Reed Elsevier was already pivoting away from print, towards a digital-first business model.

Only the previous year, it purchased legal database LexisNexis, one of the pioneers of online information services, for \$1.5bn, and within two years it had divested most

of its trade magazines.

By the time of the financial crisis, print only represented half of its revenues. Today, that figure is under 10 per cent, and the company, renamed RELX, is a world leader in business information and analytics, supplying customers in insurance, law (practice and enforcement), banking and academia. Its market capitalisation has tripled since 2012 to over £32bn, making it nearly as valuable as Barclay's.

It's hard to find a better British example of digital transformation – a root and branch, radical overhaul of an obsolescent business model, not just buying some new software and sprucing up the website.

We met RELX CFO Nick Luff to find out what was involved and how the company's still transforming today.

You moved away from print much faster than most of your old competitors. Was that an easy sell to customers?

Luff: We said to librarians why don't you take an electronic subscription and for a modest fee we'll give you the other 2,000 odd journals you're not signed up to, then you'll have access to the whole of science.

Some people say they weren't interested, but after a while they'd get back to us because something like 30 per cent of their usage was from journals they never used to subscribe to. The scientists had started following the links and sharing articles.

To give you an idea, since 2003, there's been a 12-fold increase in the number of downloads, but only a five-fold increase in the number of scientific articles. You have to move as fast as your customers do.

This poses a classic dilemma. If you respond to customer demand, you'll only ever move at the pace of the herd, but the most forward facing, disruptive businesses surely need to be ahead of the curve.

Luff: You need to be very close to the customer, but you can't just sit there waiting for them to ask you to solve a problem. Take telematic data, which is used to price insurance policies. That data didn't exist until a few years ago. How do you use it to assess the risk of your driving versus my driving? What is it that matters, that I brake very hard and you're more cautious, or that you're often out at 2am because of shift working and the roads are more dangerous then, or is that you live in Scotland where the roads are icier?

People won't know that this sort of analysis is what they want or need until they know it's available.

You've said that the first transformation of RELX, from print to digital, is more or less complete. How far through the next transformation are you, from digital information to data analytics?

Luff: It's much harder to measure. If you take our risk business, around identity verification, fraud prevention, risk scoring etc, I'd say 80 per cent of the products we sell have some sort of analytics in them, but in legal and science maybe only 20 per cent of the revenues come from products that involve analytics.

We've got a long way to go. With more processing power and the cloud, you can start using data sources you couldn't before, and there are new data sources coming online.

For example, last year we bought ThreatMetrix, which does device identity. We can look at a device, without knowing who the person is, and say if it's a risk or not, based on where it's used, how it's been used, what software it has on it.

A bank might have a 99.2 per cent processing rate on mobile transactions, and have to do manual checks on the other 0.8 per cent. If we can get that down to 0.6 per cent using these analytics, we've reduced their manual handling by a quarter. That's worth a lot of money to them.

Can you acquire your way through a digital transformation?

Luff: We're constantly looking at what's happening in adjacent markets, should we buy this new technology or develop our own?

I've done an awful lot of M&A, and what I've learned is the best thing you can do is drive organic development. It can't be done in a year. But don't underestimate the ability of an organisation to make a dramatic change over a three, four or five-year period, when you set it going in the right direction and keep driving at it, keep making small changes.

Does your changed business model mean you have new types of competitor? When it comes to data, the west coast tech companies are frighteningly well endowed.

Luff: Some of our data is unique and proprietary, but a lot of it is publicly sourced. It's what you do with it that makes it useful.

Sometimes you'll read that people will price insurance by looking at your Facebook posts to work out how risky you are. If you think you can do that, you haven't met an insurance regulator. You really need to understand what data is useful or not, what's allowed and not allowed under regulation. That's a real skill.

In theory anyone could come in and compete with us, but you won't suddenly get Google starting to use the data set they've got there for this other purpose.

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