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Title: **Reed Elsevier became RELX and succeeded where other “old” media companies failed**

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Intro: Anyone looking for a textbook example of a successful digital transformation need look no further than RELX. The former Reed Elsevier transformed itself from publisher to data provider and effortlessly survived the online revolution. Chief strategy officer Andrew Matuch explains why RELX succeeded where other "old" media companies failed.

It is an address that suits a company worth more than 46 billion euros: No. 1 The Strand, directly opposite Trafalgar Square in the heart of London. But, the communication director apologizes for the interior. He jokes that it has not been renewed for so long that it is almost "retro-chic" again. However, his boss is proud that the cash is mainly invested in the business divisions and not in new office chairs. It typifies the down-to-earth pragmatism of RELX, which fully concentrates, as global supplier of analytics and decision-making tools, on the essential aspects and has over the years cleaned up the rest ruthlessly.

Andrew Matuch, chief strategy officer since 2016, has summarized it all in a neat overview. The tight figures especially stand out. For years, RELX has been achieving 4 percent revenue growth, 6 percent earnings growth and 7 percent earnings per share. "That 4-6-7 is like a metronome," he laughs. "Some analysts criticize us for our consistency, they almost want an irregularity to be reported once. But this is precisely how we think about business operations. It is part of a coordinated strategic effort to make our income and revenue more reliable year after year. "

Matuch identifies the markets in which RELX should operate, looks at which customers the company wants to serve, and which value propositions it can offer. "But that plan is constantly changing, it is migrating. Compared to five years ago, we now talk much more about advanced technologies to customers, such as artificial intelligence, machine learning, deep learning, algorithms and natural language processing. "

RELX operates in four segments: exhibitions, legal, risk & business analytics and scientific, technical & medical. The common thread is that all activities are very end-user-oriented, says Matuch. "We help scientists make new discoveries, lawyers win cases, prevent internet fraud, reduce money laundering, and help insurers predict risks. In our event division we help customers explore markets, find products and do transactions. It is all about making better decisions, achieving better results and being more productive. "

RELX is also active on the field of organizing exhibitions and events. The total worldwide market cap in 2017 was over Euro 27 billion. As the world's largest trade fair organizer, Reed Exhibitions has a market share of 5 percent. One of the subsidiary companies is pop culture specialist ReedPOP, which organizes Comic Con, the colorful fair for super hero fans. But this is no longer a disguise party for a handful of nerds hoisting themselves in ill-fitting suits. Comic Con has become a global happening that even extends to India.

In today's RELX we hardly recognize the previous Reed Elsevier. The fundamental change started in the early nineties, when the Anglo-Dutch company saw the digital storm approaching. In 1995, business magazine Forbes placed it at the top of the list of expected internet casualties. A quarter of a century later, Management Today head-lined: "Is this Britain's most successful digital transformation?"

The journey began in 1994 with the \$1.5 billion acquisition of the legal database LexisNexis, one of the pioneers in the field of online information services. In the following years, Reed Elsevier divested most of his printed trade journals and started to profile itself more and more as a data supplier. The bar chart of the transition is Matuch's favorite image in the presentation. In this, we see the "electronic" share growing from 22 percent in 2000 to 74 percent in 2018, while the print share in that period shrinks from 64 to 19 percent. The remaining 15 percent is for face-to-face (fairs and events), a share that remained virtually unchanged.

"Over the past twenty years, companies have undergone enormous changes, and for many the transition to digital was really tough. However, we only saw our sales grow in the same period." And Matuch knows that while around 2000, also for Reed Elsevier's customers, the transition to digital reference materials was not so obvious. "Many people just read the newspaper and got the golden guide (Dutch word for telephone books) on their doorstep. We told the subscribers of our unique academic publications: from now on, we can offer you the same in digital format, so you will immediately have many more search functionalities and links. A very attractive value proposition for these customers."

The transition also brought the new name. In 2015, Reed Elsevier, a household name since 1992, continued as RELX. "The old name no longer stood for what we do. Reed Elsevier stood for an old-style publisher while we wanted to continue as an information and analytics company." The RELX name is mainly used for investors, the end users are served by the many older brand names within the group, including Elsevier and LexisNexis. "Changing those names would have been risky because they are household names among our target groups."

The digitization was initially quite a "hard sell", says Matuch, who adds that even today, some academics and lawyers still prefer to walk around with a thick pile of paper. "That is why the digital migration took so long. But in the end, the power of the data won, which is only available through RELX, such as legal documents from all US courts. The exclusivity helped the company to gradually get rid of the print legacy and transfer subscribers to digital formats and data services.

With this, RELX also freed itself from advertising revenues, which in 1993 still accounted for 33 percent of sales. At the time, there were 8,000 people working for the publisher's hundreds of B2B magazines, including executives, editors, and journalists. "Nowadays I can count on the fingers of one hand the number of magazines," says Matuch. "And instead of magazine staff, we now have 8000 technologists working for us."

However, with the baby, RELX did not throw out the bathwater. The sometimes century-old, rich databases of magazines such as Flight International (founded in 1909) and Farmers

Weekly (1934) formed the basis for substantial new services that serve the same target groups better. "For example, our predictive analytics today help farmers to work more efficiently." Not all magazines were able to make that transition, he admits. "For Variety, pretty much the New Testament for the entertainment industry, we also tried to create a data service, but it didn't work. That's why we sold that magazine five years ago. But where we saw a data opportunity for our magazines, an underlying content we could use in the future, we retained it. We always knew that the content would be super important. "

When asked what others can learn from the RELX case, Matuch says: "At the forefront of our strategy is that we have a very detailed knowledge of the workflow of our customers, and what they are trying to achieve. Secondly, we link our data and content legacy to our knowledge of analytics and technology. Our value proposition is built at that crossroads, we are not a *pure play* software company."

Some applications RELX obtained through acquisitions or by purchasing public records and the like. But the company puts most of its energy in organic development, growth and transformation from within. "We try to develop new products ourselves instead of being dependent on acquisitions. Many companies focus on the latter. If we take over something, it is to support the organic growth strategy, and not to start a completely new industry where we have no natural synergies. "

The technologies that RELX applies to the content are crucial. The latter is something that many publishers will struggle with, Matuch knows. "Because that is know-how they don't necessarily have. We are increasingly focusing on AI and building algorithms on data. This requires not only a heavy mental investment but also a financial one: we spend about 1.4 billion dollars on it. "

Another thing that is not feasible for most publishers is the reduction of advertising revenue. RELX has not been dependent on it for years. Half of the turnover comes from subscriptions, the other half is largely transactional, and only one percent comes from advertising. "It was a strategic choice to get rid of cyclical sensitive parts. By not being dependent on advertising income, we are much more resilient and our income is more certain. We have many long-term contracts, especially in our business analytics division. "

Of course, RELX is not only growing organically, the company makes acquisitions on average for 350 million euros every year. In 2008, it purchased no less than 2.8 billion euros ChoicePoint, a supplier of insurance data and analytics. And last year it took over ThreatMetrix, market leader in the field of risk assessment, for around 675 million euros. "We saw that digital identity fraud is becoming increasingly important, so we started looking for the best partner in that area. It is one of many examples of how we are increasingly moving towards metrics and analytics. This is processed in all our divisions."

"These metrics are for instance delivered in the US to insurers who want to assess a potential customer. In less than a second, the RELX databases and algorithms show how high the policy should be. That would result in a lower policy for 80 percent of American motorists.

It also raises privacy issues, certainly if such technologies would be used in Europe. Matuch comments: "We work in accordance with all privacy laws, including the GDPR. Financial institutions need our data because they can offer their customers sharper prices. But it also helps them stop fraudsters, which is eliminating risk from the economy. All this, of course, without jeopardizing individual customer data. "

As a supplier of data and analytics, RELX focuses on the B2B segment. It does not seem that the company will compete with the Kantars and Niensens for the time being, although Matuch says, "Never say never." When asked if we should look for the competition more in Silicon Valley, for example at Google or the many startups, he laughs.

"We do have competitors, but because we are active as RELX in so many areas, it is difficult to pinpoint where they are. In the digital transformation, AI and machine learning, things go incredibly fast, especially in Silicon Valley. Sometimes we buy such a startup because they add something. Five years ago we were not present at all in the Bay Area and surroundings, now we have several locations there.

At the micro level, we do of course keep an eye on the competition. I travel there at least once or twice a year and then talk to the startups that try to shake up the industries in which we operate. I always come back from there with a broad smile. Because although they are super enterprising and motivated, every presentation ends with the comment that they need our content and data to expand further. And that is exactly what it is all about: you can have the best technology, you also need the content and data. With this combination we add value for our customers."

RELX in numbers

- 2018 revenues: £ 7.5bn
- 2018 adjusted operating profit: £ 2.3bn
- 2018 adjusted operating margin: 31.3%
- Over 30,000 employees worldwide; Customers in more than 180 countries
- Listings: London, Amsterdam and New York (ADR)
- Market capitalization: £ 33bn / € 38bn / \$ 43bn *

RELX originated in 2015 from Reed Elsevier. In recent decades, it has transformed from a media company into a global supplier of business information and analytics. In 1993 the publishing division was still leading, with local newspapers and books such as Winnie the Pooh and Tintin among others.

- The current four divisions are: Exhibitions, Legal, Risk & Business Analytics and Scientific, Technical & Medical.

- The transformation resulted in a triple turnover from £ 2.45 billion in 1993 to £ 7.49 billion in 2018, and profit growth from £ 430 million to £ 2.3 billion in the same period.

- Even in 2000, income was still 64% from print products and a few CD-ROMs, there it was reduced to 10% in 2018.

- In 1992, advertising was the largest source of income (37%), which is now only 1%.
- Subscriptions accounted for 21% of revenues, now for 52%.
- Exhibitions generated £ 141 million at the time, now £ 1.2 billion; earnings in this segment increased from £ 30 million to £ 313 million.
- In 1992, 13% of the company's turnover came from the Netherlands, there it is now around 3%. The British share fell from 31% to 7%, while that of the US rose from 34% to 55%.
- In 1992, 8,000 were still working in the consumer division (magazines and newspapers), there are now 8,000 technologists (half of whom are software specialists).
- Slightly less than a quarter of RELX's revenue comes from Europe, more than half from North America, where the lucrative risk assessment division is rooted. The future of the company lies largely in business tools and analytics and AI, and the Netherlands can play a significant role in this.
- In February, Prime Minister Mark Rutte opened the new TechHub at the Amsterdam headquarters of RELX's science information division Elsevier. Here, top talent is working worldwide on innovative technologies for decision-making in science and healthcare.
- Andrew Matuch: "The developments here will go faster in the next five years than in the last quarter of a century. We have a great partnership with the University of Amsterdam, who supply ten trainees every semester. They are incredibly talented and enjoy working with Elsevier because we simply have the rich datasets with which they can do beautiful things. "