

Does buying information cost money or make money?

Some surprising thoughts from a “Beancounter”¹

It is true now, more than it ever has been, that time is money. Whenever one looks at a new way of doing an old thing the question gets asked - How much money and how much time? If you are in a hurry and just want the answer then skip to Page 4, but meanwhile here it is:

“We conclude that effective information access makes money for our users rather than costs money”

Business people take decisions constantly, and each decision contains within it the seeds of great success or great disaster. Decisions taken without information are essentially a gamble. But how much are you gambling? And what return on investment do you need to justify spending money to swing the odds in your favour?

This note tries to quantify the Return on Investment (ROI) of NewsBase as a source of decision information. There are two ways of doing this. One way is to attach the information source to the value of the decision itself. While this generates pleasingly large numbers - energy decisions are usually high value - it is vulnerable to the charge that NewsBase information products are only a small part of the decision making matrix. We don't therefore use this approach at NewsBase.

A second, and we believe better, way is to look at the cost of gaining access to decision information in general, without attaching a notional (and probably spurious) value to the information's part in a specific decision.

The Access Cost of information

There are two costs of access to information, and consequently to knowledge: - time spent and cash laid out on content. To a large extent these two can be exchanged for each other. A search for knowledge via Google is cheap in outlays, but expensive in time. While a search using a focused and specific source (such as NewsBase energy information products) has an outlay cost, but is cheap in time.

¹ We are not sure how this would translate into any of the forty odd languages spoken by our customers, but we hope that you recognise the mindset – a Beancounter is a jocular English term for an accountant.

We can compare these two approaches in cash terms. An average individual has approximately 1800 hours per year to offer to their employer. What does each of those hours cost? At NewsBase we serve decision makers in the energy business. Knowledge of our customers suggests that the average annual salary of our users is in the region of £100,000. However, base salary is not the whole cost. We need to add on top payroll taxes (70% in France, 15% in most countries), bonuses, benefits, training outlays, recruitment costs, sick time, pension payments, share options, health and life insurance, and so on. On balance, a fair estimate of on-costs in the international energy business would add approximately 80% of base salary to determine the actual direct cost of an individual. We have ignored office accommodation, heat, light, IT, supervision, travel outlays, travel time, secretarial support and many other budget lines. Factoring base and on-costs together generates an average cost of £180,000 per year, for 1800 hours. It is, we believe, fair to say that the time cost of an average NewsBase reader is therefore at least £100 per hour.

We now need to make a second assumption. How many times a year does an executive need to acquire new information or knowledge? Surprisingly, not all that often. After all, at £100k per year we are already talking about well-informed people! But the world changes around us constantly and we need to keep up to date. And of course even an individual earning £100k a year doesn't know everything, so we assume that the average NewsBase customer needs to acquire some new piece of knowledge or awareness once or twice each week, say 70 times a year.

The executive might now choose to dive into the web, plough their contact base, phone people around the world, consume the time of their subordinates, colleagues or boss, read newspapers and magazines, and ultimately guess the bits they can't find. We have all been there, hunting down some elusive piece of information or knowledge, and it is easy to invest (or blow!) an hour or two on the task. It is also easy to fail, and not acquire the knowledge or information we need after that hour or two. For the purpose of this paper we have estimated that an average "free sources" query takes 1.5 hours. Of course it is often the case that the "free sources" search simply leads, after a couple of hours, to an answer that is not free, but needs a pay per use transaction, or to no answer at all.

Within the field of **What Is Going On And Why™** in oil, gas, electricity, renewables, and carbon, NewsBase has proved itself over the past decade and a half as a quick source of the answers to those questions. With the additional use of our searchable archive going back some ten years we estimate that the same information search should take not one to two hours, but perhaps twenty minutes.

Note, what we are talking about here is the **access time** – ie the time taken to locate the answer – not the learning time, which is the time taken to read and absorb the information being sought. NewsBase offers savings in learning time too, but they are harder to quantify so we have ignored them.

The table below compares the costs of the two approaches – free search and paid sourcing:

	Average Time (hours)	Cost per hour	Number per year	Data costs	Total cost
Free sources search	1.5	£100	70	Average £5 per search	£10,850
NewsBase energy information	0.3	£100	70	£2,100 at Single Named User list price	£4,200
				ROI on NB at list prices	158%
				ROI on NB at bundled prices	~300%

Note that this analysis looks simply at access costs. It ignores any potential value return from making better decisions. We accept that it would be ambitious to suppose that a £100m energy investment turns entirely on the energy information we provide², but smaller decisions are heavily influenced. A sample of these is set out below:

- Should I go and see a potential new business or partner prospect (at a cost of perhaps £5,000 in time and travel) or has he/she already been “sewn up” by someone else?
- Should I take on a new potential customer or partner in a credit relationship, and put a six, seven or eight figure sum of stock or WIP or working capital at hazard?
- Someone I haven’t dealt with wants to see me. Should I invest my time in seeing them or put them off?
- I can see a potential new market opportunity – should I investigate it at a cost of perhaps £25k in time and travel, or has it already been occupied by competitors?

² Though we would not be doing our job unless our information played a material part in those decisions!

- I am going to see a customer, supplier or partner. If I am well informed before I go I can probably save half a day of travel time (£500), or maybe even avoid a follow-up trip altogether (£2,500).

The user will recognise these, and be able to add many more from their own experience.

Note also that the above ROI of 158% is based on an assumption that the reader is paying a full List Single Named User price for a NewsBase information product. We offer generous discounts for multi-reader and multi-product subscriptions, and we also offer Site and Corporate licences. These can reduce the annual reader/product cost to as low as £500 per year, which would increase the Access ROI to ~300%.

Naturally the ROI increases proportionately as the pay scale of the searcher rises.

Conclusion

We conclude that effective information access makes money for our users rather than costs money. This is reassuring, as we have spent a long time building a business which can reliably provide that effective information. It seems that our customers agree. Our subscriber renewal rate is currently 81% by account (that is, 81% of our readers re-subscribe each year, and 30% of that 81% increase the number of products used and desks served). When we factor in mergers, acquisitions and sector refocusing within our subscriber base our renewal rate on a like for like basis is actually 92%.

Clearly those who already use our energy information services think they are onto a good thing. I hope that I have convinced you to give us a try. Thank you for your time.

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