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B R I E F I N G 

Information Management Best Practices:
Vendor Portfolio Management – Rationalizing
Content For The Enterprise

Executive Summary



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Why This Briefing: Save Dollars and Make Sense

Bottom Line Organizations are going e² in their content strategies: electronic and enterprise-wide. Print has largely been displaced by electronic content, and organizations' users and executives expect and demand that content be available for those who need it, regardless of where they sit in an enterprise – and at a reasonable cost. Managing the vendor portfolio of electronic content on an enterprise basis is a hot area of growth and focus for information management executives in this revved-up world. This Briefing examines state-of-the-practice results from our recently completed vendor portfolio management benchmark study and provides best in class process recommendations.

In our 2004 Briefing *Information Content Management Best Practices: Information Services Portfolio Management* (Volume 7, February 20, 2004), we recommended applying to information the principles of financial portfolio management, which have been widely adopted by IT organizations as a way to maximize investment return and manage risk. As content is the largest line item in an information management organization's budget, managing the stable of vendor products that make up that spending is an ideal target for a portfolio management approach. Content makes up 46.5 percent of the average information unit's budget, according to our recently completed Information Management Benchmark Study: Vendor Portfolio Management, which compiled results from 587 information management executives in industry and government (representing a 99 percent confidence level, plus or minus 4.5 percent precision).

Vendor portfolio management is different from the traditional acquisition and purchasing activities we've seen among information managers, in the following ways:

- The holdings of vendor products are aligned with the enterprise's mission and strategic plan.
- Decisions are made holistically, looking not just at discrete vendor products but at the overall mix. In this complex world of bundled vendor products, one product decision has an impact on other products: if a major source is pulled from an aggregator, or if you decide to part ways with that vendor, you'll need to pick up the source through another product offering.
- Changes (new products acquired or existing ones canceled) are made looking at two factors: maximizing return (value to the organization for the price paid) and minimizing risk (content cost weighed against the risk of not having it).
- The focus is on rationalizing the portfolio on an enterprise level as opposed to a departmental or individual level, which requires looking beyond your traditional buying purview for the larger organizational mix of procured content.
- Vendor relationships move from a more tactical focus on negotiating price and packaging to strategic relationships that emphasize the long-term match of the vendor's business to your own enterprise's.

We're seeing content vendor portfolio management take hold as a top strategic initiative among information management executives, against a backdrop of changes among content vendors and within buying organizations, making it the right thing to do and the right time to do it:

- Price increases and budget cuts have collided in a rapidly consolidating world. Consolidation is occurring on the content buy and sell sides of the market, and while both have the same goals to reduce costs and increase returns, these goals are at loggerheads. Vendors acquire competitors and thus reduce product choices for buyers, while buyers' companies have merged and reduced budget and staff, therefore providing vendors with fewer sales opportunities in their traditional top-tier markets. The top four issues raised by information management executives in Outsell's vendor portfolio management study reflect this collision course:
 1. Cost/price increases and a perception that vendor pricing models are inflexible.
 2. Lack of budget predictability (too few fixed-price options) for content.
 3. Budget cuts/lack of funding (and this in the face of increased user demands to get the content on their desktop).
 4. Limited competition due to vendor consolidation.
- Speaking of mergers, companies want to reduce duplication and content is now on the radar screen. And this isn't just a company phenomenon – consolidation among government agencies has also driven new initiatives to eradicate duplicative purchasing. Best in class information managers are jumping on enterprise “alignment” and “streamlining” initiatives as a way to finally corral their organizations' content spending into some semblance of order.
- It's an e-world after all. The pressure is on to go 100 percent – or as close to it as you can get – with electronic content. We continue to see a steady increase in electronic vs. print content – particularly in the corporate sector, with corporate buyers of e-content up from 55 percent in 2003 to 64 percent in 2004, and anticipated to rise to just over 67 percent in 2005. Multiple clicks, access to summaries and abstracts, and having intermediaries do the research are not the end-users' ideal – they want access to full-text content from their desktops anytime and anywhere, and they want to get it themselves. This is driving a rush to find and deploy electronic content from vendors willing to cut the right deals and simplify access.
- Process improvement redux: information managers are working with Six Sigma, Kaizen, and other initiatives to improve the content acquisition and management process. While cutting out duplicate spending is often the attention-grabber for chief financial officers, improving the process is also key. There's a new focus on standardizing processes: let those who buy content continue to buy, but with consistency and rationalization across the enterprise.

- Copyright compliance brings a new eye from the legal guy on licensing and rights. Compliance is hot, and content has garnered attention from legal and compliance officers. License and rights management is a key component of the vendor portfolio management mix: who has rights to what, and how can we prove we're in compliance? Vendor contract databases support these compliance initiatives, and vendor portfolio managers are working with vendors to clarify and spell out redistribution rights.
- The luxury of buying “just in case” no longer exists – even entrenched vendors’ products are called into question in this topsy-turvy world. In fact, even organizations that have traditionally “bought it all” – i.e., in the pharmaceutical and financial industries – can no longer afford to do so, from either a budget or a management standpoint. With increased scrutiny driven by compliance initiatives on vendor contracts, scrupulous adherence to an RFP process to ensure buyer objectivity requires more time, so fewer vendor contracts can be handled. And with rapidly changing models in news delivery, market research, and scientific journal publishing, vendor managers are constantly rethinking and realigning their strategies to reflect new business realities. When is “good enough” content good enough, and how much do we need to pay for it?

Key Benchmarks

Bottom Line Outsell recently completed its first survey focused exclusively on vendor portfolio management practices, with almost 600 information management executives in industry and government participating. The data we collected provides key industry benchmarks to which information management executives can compare their operations. These executives need to focus on increasing their range of strategic activities, which will be a challenge given their lack of staffing and the expected increase in the number of vendors in their portfolios.

How are you doing compared to your peers? The benchmark paints an interesting picture of the state of the practice and where there's room for improvement: activities are still largely tactical rather than strategic, with user training, product demonstrations, and satisfaction research on the current portfolio leading the mix of activities. Vendor portfolio management staffing is done “catch as catch can,” with less than one full-time equivalent employee (FTE) on average managing a portfolio of 14 vendors. However, we're seeing the portfolio get bigger and more complex in the following ways: an expected increase from 14 to 19 vendors and content budget increases in the corporate sector; a downward trend over historical highs in the number of enterprise and large multi-site contracts; and a continuing escalation in electronic content.

Bottom line, while 2005 is the year to play and test out new models, it also features a vendor landscape that's complicated to negotiate through. It will be a year of “point” rather than enterprise solutions. While vendor portfolio management emphasizes the enterprise, different sets of users need very different content sets, and an ever-increasing mix of new content offerings that defy traditional publishing models is available to try out.

Key Benchmarks

Benchmark	Total	Corporate	Government
Number of vendors in portfolio			
2004	14	15	12
2005 (projected)	19	18	24
Vendor: Actual User Ratio	1:243	1:208	1:346
Vendor: Potential User Ratio	1:565	1:509	1:721
Vendor portfolio management staff	0.61 FTE	0.63 FTE	0.60 FTE
Percent of content budget devoted to <i>electronic</i> (vs. print) content			
2003	47%	55%	37%
2004	57%	64%	42%
2005 (projected)	61%	67%	44%
Percent of multi-site contracts			
2003	61%	57%	63%
2004	46%	50%	38%
2005 (projected)	49%	53%	36%
Content budget			
2003	\$912,897	\$749,550	\$924,711
2004	\$879,660	\$779,801	\$940,785
2005 (projected)	\$884,808	\$836,773	\$913,022
Content budget per actual user	\$327	\$393	\$187
Content budget per potential user	\$141	\$160	\$90
Content budget distribution	Scientific, Technical & Medical (35%) News, Trade & Consumer (24%) Market Research (13%) Legal Data (12%) Company, Credit & Financial (9%) Trade & Consumer (5%) Education (4%) Human Resources (3%)	Scientific, Technical & Medical (33%) News, Trade & Consumer (23%) Market Research (15%) Legal Data (12%) Company, Credit & Financial (11%) Education (4%) Human Resources (2%)	Scientific, Technical & Medical (41%) News, Trade & Consumer (25%) Legal Data (13%) Trade & Consumer (9%) Market Research (8%)
Top five content vendors	Thomson Dialog (42%) LexisNexis (37%) EBSCO (32%) Factiva (31%) Reed Elsevier (24%)	Thomson Dialog (47%) LexisNexis (41%) Factiva (37%) EBSCO (23%) Reed Elsevier (23%)	EBSCO (52%) OCLC (39%) Thomson Dialog (31%) LexisNexis (39%) Reed Elsevier (26%)
Bases			
2003	797	280	250
2004	356	251	105
2005 (projected)	342	246	96
Top five vendor portfolio management practices (Total respondents 2004)	Conduct user training (77%) Product demonstrations with suppliers scheduled (77%) Conduct satisfaction research (63%) Identification of potential suppliers (61%) Users' content needs and preferences addressed (60%)		

Source: Outsell's Information Management Benchmark Database, V4.

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Outsell Background

Outsell is the leading research and advisory firm providing actionable market analytics for the information industry. Founded in 1994, Outsell helps publishers, commercial information providers, and content software technology vendors identify, maintain, and grow markets and revenue streams. Outsell also works with information management executives in top corporations, government agencies, and educational institutions to benchmark spending, optimize performance, and demonstrate best practices. Outsell invests heavily in unique information industry data assets that form the core of its high-quality, fact-based research, analysis, and recommendations for clients worldwide.

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