



Taking the lead

Peter Grauer, the Chairman and CEO of Bloomberg, is a man with a mantra and he repeats it every chance he gets: “We have an aspiration at Bloomberg to become the most influential news organisation in the world.”

A glance at the statistics behind the media empire started in 1981 by the eponymous Michael Bloomberg (who, on becoming the 108th Mayor of the City of New York on January 1, 2002, left the running of his company to long-time friend and associate Grauer), shows that the global media company is nearly at the goal line: 287,000 subscribers in 140 countries, accessing between 5,000 & 7,000 news stories a day, as well as data and analytics created by 11,519 employees globally (as of April, 2010). Grauer estimates the company’s proprietary terminal business alone generated revenue in excess of \$5.5 billion last year, with a compound growth rate greater than 12 per cent per annum.

Despite this terminal-based revenue bulwark, the economic lurch that started in 2007 did not leave Bloomberg unscathed. After all, their main customers are the big investment banks for whom market-related information is valued by the nanosecond, and priced accordingly. “The trough for us occurred in July of 2009. We were down just over 11,000 subscribers -- roughly 3.4 per cent,” Grauer says. (Lehman Brothers alone is said to have had 3,500 terminals.) But the business seems to have merely touched bottom before heading back up. “We had positive terminal growth beginning in August of last year and have had positive terminal

growth ever since,” he avers. That’s as opposed to sales growth which, he says, can only be tallied one month after installation: it takes some time for a terminal to be installed and for Bloomberg to start getting paid.

While the number of Bloomberg terminals on customer desks declined during the downturn, the revenue numbers held because Bloomberg did not slash prices. “We finished 2009, although down 2.4 per cent in units; because of our ‘pricing discipline’ we were actually up 2.5 per cent in revenue (year-on-year) ... As of the second quarter of this year, we will exceed our record performance, which occurred at the end of 2008,” Grauer told INSEAD Knowledge during a recent visit to the school’s Europe campus in Fontainebleau.

Grauer took advantage of the downturn to bring Bloomberg closer to its stated global goal of world news domination. Instead of cutting back, he beefed up the workforce. “We added almost a thousand people in 2009; we’ve added in excess of 600 people this year. We continue to innovate: we introduced over 2,000 new functions on our terminals last year, and we’ve actually picked up market share,” he claims.

This year, they also picked up BusinessWeek from

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McGraw-Hill at what Grauer calls an “attractive price,” (reported to be some five million dollars in cash) pointing out that “in negotiations the buyer and the seller have to come to a meeting of the minds to get the transaction done ... we have made a long-term commitment to what is now called Bloomberg BusinessWeek -- putting our name on it for us is a major brand statement -- and we are fortunate enough in that we have quite extensive financial resources to really make this thing work.”

The BusinessWeek acquisition -- as well as a parallel purchase of renewable energy/carbon-focused and London-based “New Energy Finance” -- is a bit out of character for Bloomberg, which has grown organically since its inception. But these two deals, with the stroke of a pen, simultaneously broadened Bloomberg’s reach to a new news audience and deepened its offerings to the hard-core financial markets.

With 900,000-plus subscribers and some 4.1 million readers, ‘BusinessWeek opened a new market for us,’ Grauer explains. “Business people outside of financial services, government leaders outside of the financial side of government ... we felt this would be a natural progression for us in our aspiration to become the most influential source of news for the business and financial community. And we hope we’ll be able to sell a lot of the other Bloomberg products to those consumers as well.”

As for New Energy Finance and its renewable energy-carbon focus, “we believe the carbon markets today are where the fixed-income markets were in the 1980s, and, from a platform point of view, having that kind of information (news data, analytics) on the Bloomberg professional services terminal is a real jump-start for us to become – we hope – the dominant provider of information to that space,” he states.

Providing that means turning huge amounts of data into useful information for a variety of audiences through the application of analytics and news is what Grauer calls one of the company’s core strengths. It requires a certain kind of workforce: journalists who are demonic in their pursuit of news and information, terrified of not being first.

“I use the phrase frequently to my colleagues that the people who come to work every day don’t think they’re as good as they are,” says Grauer. “We operate in what I call an environment of ‘constructive paranoia’ and I hope we haven’t changed that ... it’s been one of the hallmarks of Bloomberg since the beginning.” This paranoia is rewarded with pay considered robust for the industry, even during the downturn. “Our incentive compensation programme was in 2009 ... Well, people would have suffered. But we made that up to

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them last year and basically filled the gap based on expected compensation levels at the end of 2008,” claims Grauer.

Bloomberg itself is catching up to those levels on the customer and revenue side. “We were lucky to have about 20 markets around the world that grew during this (downturn) period,” says Grauer. “Places like Israel, Brazil, China, Russia, some of the Eastern European countries; we had very good results in Scandinavia, for example, and our business in France was up four per cent last year,” he adds.

Their customer base is changing to reflect the new reality of public-private partnerships in the capitalist business world. “We are seeing a great deal of interest among government agencies, central bankers, regulators, ministries of finance – who obviously see the need for real-time financial information and subscribe to our product as a result of that,” Grauer claims.

But while Bloomberg’s business may be back to booming, the outlook he holds for the world economy is not. “I think it’s going to be longer than any one of us anticipates,” he says, speaking of the timing for the long-awaited recovery. “I think it’s going to take the US ... a while to get out of this. The US consumer continues to be wounded; the high unemployment rate is not being changed materially. I think overall we’re in for a period of slow growth – in the US between 1.75 and 2.25 per cent ... I think we are back to a period where people aren’t going to expand unless they feel they have the financial flexibility to do it.”

For Bloomberg, financial flexibility is something that comes at the corporate level from being privately-held, basically by Michael Bloomberg himself. “I don’t know if we would have taken the same decisions for 2009 which we did in late 2008, our planning process, and the same thing in 2009 for 2010 if we were a public company” opines Grauer. “We tend to talk about things in decades as opposed to one-, three-, or five-year increments; we are able to invest in things that won’t begin to pay out for three, five, or seven years. My feeling is that we will always be a private company, certainly as long as I’m lucky enough to run the firm.”

With Michael Bloomberg in his third term as Mayor of New York and considered to have even higher political aspirations, this could be a long time.

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