

Wasting Money on Information Services?

Information services have become a critical element of an energy firm's operations. Industry expenditures on these various services are considerable - over USD1 billion per year. However, a significant portion of this expenditure is wasted on unneeded and under utilised products. In an era of increased competition and cost cutting there is a considerable opportunity for organisations to review these information purchases and realise substantial savings and operating efficiencies. By **ALAN M. HERBST**, Utilis Energy, LLC.

THE VALUE AND usefulness of energy information is driven by speed. For the last 40 years there has been an evolution of delivery technologies ranging from postal delivery of printed publications to streams of information delivered over the Internet. This unrelenting need for more timely information has been market driven. Prior to 1980, energy markets were US-centric and it was sufficient to deliver news and price information to customers via traditional, 'low tech' methods, the postal service and international courier. Greater energy market globalisation and the effects of deregulation have created the need for more timely and accurate information.

Today, energy firms have a mind numbing number of information options. There are traditional print publications and electronic products and analysis tools from which to choose. Most have value, but by selecting the right mix of products an organisation can leverage these information purchases to create gains in efficiency and enhance profitability.

The Real Time vs Print Question

Organisations subscribe to a potpourri of information products - received through real-time and print delivery. Real-time information services convey news, market, price and futures information electronically from publishers and exchanges directly to end users. Early real-time information systems were wedded to a publisher's proprietary terminal. In the early 1990s, a greater proliferation of PCs, coupled with software developments, made it possible for customers to receive information from several publishers and information sources on one desktop screen.

These real-time electronic energy information services generally do what they claim - get information to decision makers nearly as fast as it is generated. However, making effective use of that information can be tricky since this information is presented in a variety of formats

Real-time Benefits

The near-immediate distribution of electronic information allows for several advantages over more-traditional print distribution. These advantages can be summarised as follows:

- Market-moving events can be spotted and acted upon more quickly.
- Price changes in markets can be tracked seamlessly.
- Futures prices can be tracked in real time.
- Prices can be integrated automatically into back-office

accounting systems.

- News and price archives can be stored electronically for easier retrieval.

These benefits suggest that subscribing to electronic information systems can be a wise move, returning a great deal of value.

Is Real-time Right for Everyone?

The overwhelming reason to make the investment in a real-time system is the need for speed and convenience. This type of timeliness carries a hefty premium since real-time systems are expensive, sometimes by a factor of 5 - 10 over the cost of print services.

Purchasing real-time services also calls into question whether a company still needs to retain its subscriptions to print services since in many instances the cost is duplicative and the information received is redundant. Firms should evaluate the need to retain print by asking the following questions:

- Will the print service be used to retain a written record of prices and postings?
- Is a print newsletter currently on an office distribution or routing list?
- Companies sometimes use print products to perform data integrity price checks against electronic services.
- Portability - Some executives and managers find it easier to take a copy of a print newsletter with them on business trips, or while at home or commuting.

Advantages of Print

Electronic services attempt to get as much information to a customer as quickly as possible. In order for this to occur, once content pages have made their screen 'appearance' they must be set aside by the publisher to make way for newer information. There is no uniform standard for real-time systems to handle this operation due to their unique configurations and the capabilities of their display software. This contributes to one of the primary advantages for print products. A reader can put the information down and then pick it up later. That hasn't always been the case with electronic products that stress immediacy over longevity, and the customer isn't always aware of this policy.

Things to Consider Before Buying Electronic Services

There is a great deal of competition amongst electronic information providers and display vendors for the cus-

tomers' dollar. Potential customers must know exactly what they are purchasing because once a large investment has been made in a system, the customer is dependent upon it for its information needs. It is advisable for customers to develop a list of questions to ask prospective vendors to gain an insight into their system's true capabilities. Below is a short list of some typical examples:

What is the level of support?

Possibly the greatest customer complaint involves the level of support received once a sale has been made.

Customers should always make sure they have taken sufficiently steps to protect their interests. Customer should look into executing a Service Level Agreement with a supplier. In an agreement of this type, the supplier would have to make contractual representations of the type of support it intends to offer. Any deviation from this level of support would result in some kind of penalty for the supplier with termination of the agreement a possibility. An agreement should cover the level of support received, responsiveness to outages, and help with features and functionality.

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Ways to access information

A variety of options exist to obtain real-time information from suppliers. Each has their own distinct benefits and drawback and the purchaser must determine which system works best to meet their distinctive needs.

Satellite

The primary advantage of this system is freedom from wires. However, satellite-receiving systems sometimes have problems with FM broadcasting interference, especially in crowded metropolitan areas. Also, dishes that get clogged with snow lose their functionality fast.

Leased-line Access

These are fixed telephone connections between the customer and the provider of the information. Leased lines usually are more expensive than satellite systems because connections involve monthly charges, however, they are the connection of choice when cost is less of an issue, or when interference or weather renders satellite reception unreliable. Leased lines tend to have problems of their own. Connections can sometimes break and the customer is then at the mercy of the phone company's repair schedule.

Dial-up Access

Most often used with 'pull' systems, dial-up connections rely on the user to contact the host system each time information is needed. They also serve well as backup systems when a user is on the road and wishes to connect to an information supplier. Their advantage is cost. They are relatively cheap if connections are not maintained for long. However, they are not a good solution for customers who wish to have the immediacy of real-time "push" delivery.

Internet

This is the newest method to provide real-time information to customers. No satellites or hard wires are required. The customer merely enters an IP address into the software

used to display the information and a connection is made. Receiving information this way can provide tremendous cost savings to the customer because there are no connection costs other than those of connecting to an Internet service provider. Also, there is less likelihood of breakdowns because of the unique structure of the Internet. If one route is blocked, the connecting information is automatically routed around the problem.

Internet delivery of content does have one major drawback; speed. If a customer is looking for up-to-the-second display of futures quotes, for example, their connection speed is reliant on the degree of network traffic encountered. While much of the time delay is minimal, there is no guarantee of speedy delivery of information.

Identifying Information Users

Traders within a company tend to generate the need for timely news and price information, but there are also other energy information users within an organisation. One mistake commonly made by companies is to fail to take a proper inventory of what information is delivered to employees. Other companies fail to examine the historical information retrieval patterns of employees. This creates a situation where some employees take newsletters, others subscribe to telex services, and still others take real-time services. When different departments are unaware of information purchases by other groups this usually results in needless expense and duplication of information. The acquisition of a real-time service can present a significant opportunity to consolidate information needs into a common delivery mechanism.

What are the requirements

Once it's determined which groups within the company need a broader range of information and the speed of delivery offered by an electronic service, the exact nature of the information required should be identified. Good questions to ask at this point include:

- Is the need primarily for news stories or for market price assessments and data?
- Does the information need to be aggregated with that of another publisher?
- Do users have the need for mobility and portability?

Acquiring Real-time Services

Real-time services are usually sold on a contract basis for single- or multi-year periods. It is unusual to see these services sold on a month-to-month basis.

The vast majority of service agreements renew automatically. A company's subscription to the service does not terminate until a notice to cease renewal is received in writing. It's therefore important to track down all subscription agreements in a company and keep them in a central location. Information needs often change with changes in personnel.

Most sales personnel work off published price lists, but experience has shown that those prices are not always firm. Sales representatives are under great pressure to bring in new business, and it is not unusual for representatives to offer concessions to buyers to secure business. Therefore, buyers should work out the best deal possible with sales representatives. Several approaches can be taken even if the price is not nego-

tiable, especially if there is no actual cash loss to the information provider. Some negotiating points to should include:

- Asking for an add-on package of additional information.
- Adding additional users to the same subscription.
- Receiving print publications can be included at no extra charge.
- Adding an additional month or two free of charge to the subscription agreement.
- The inclusion of data series into the subscription price.
- If the subscription already includes price data, ask for additional series.
- Permission to database the price information.
- Receiving complete price histories of a given data series.

System Purchase Mistakes

Information buyers should not allow themselves to be oversold by aggressive sales personnel. Firms have wasted significant amounts of money assuming they needed print publications as an adjunct to their new electronic service subscription. If sufficient need can't be found, terminating print subscriptions should be strongly considered.

Also, caution should be exercised to prevent over-buying. Ask for complete details on how existing services can be parceled into smaller packages and establish a price level for those smaller packages.

Another common mistake is for a company to purchase a separate machine-readable data stream when the feature is not widely needed within a company. Frequently, companies purchase high-priced analytical software packages when no one on staff has any intention of performing any high-end analytical functions. Often, users who need machine-readable data merely need to have a vehicle for inserting prices into an Excel spreadsheet. High-end software packages offer ways of doing this for customers, but other solutions can be found, depending on the publisher and the type of service provided, that do not require such a high investment in the delivery software.

System Packaging

Electronic services can be packaged to fit the needs of an individual or a group within a company. Services are sold in a variety of ways, including single screen, subscriptions, group subscriptions, and entire company site licenses.

Single screens

Some companies take a single subscription to real-time services and encourage multiple users to walk over to a screen to view information. While this can be done, it is not a tremendously effective use of a real-time display, making it little more than an archiving instrument.

Group subscriptions

Companies can take out subscriptions for an entire group. This puts the real-time service on every trader's desktop and increases the level of information available to individual traders.

Site licenses

Another possibility is for companies to sign agreements allowing them to distribute real-time services throughout their entire company. This is usually done in the form of a data feed so that distribution can take place over the company's intranet.

How Real-time Services are Supported

Real-time services are complicated applications, and it's not unusual to expect support from the selling party. The support representative is the customer's first line of contact with a service provider. Many customers have discovered that a significant portion of the provider's value comes from the interaction with its service personnel. Information services must be fine-tuned to a customer's needs. Problems need to be resolved in a timely manner. Feedback needs to be understood and acted upon.

No Cookie Cutter Approach

No two energy firms use electronic information services the same way. Some buy large systems and make little use of them. Others buy small systems and wonder why they can't derive more functionality from what they have. Many don't have a clear understanding of what they bought or how to use what they have.

The keys to successful purchase and use of electronic information systems are threefold:

1. Thoroughly understanding your organisation's information needs.
2. Matching those needs to the services available.
3. Training your employees to fully utilise what has been purchased.

Too many firms skip one or more of these steps and the result is almost always a group of dissatisfied internal users who are not working at optimum efficiency.

Summary

- If the need for speed isn't there real-time system are rarely worth the investment.
- Properly inventory employee needs before shopping for a system.
- Match your specific information requirements to the capabilities of real-time systems.
- Don't be oversold and don't overbuy.
- Negotiate a system price to include with 'free' optional add-on services.
- Subscribers get the most value from real-time services through an interactive relationship with service personnel

Conclusion

Real-time energy information systems will continue to evolve in complexity, speed of delivery, and flexibility as publishers tap further into the Internet and offer greater customisation.

While real-time systems are not cheap, and are not required by every firm, those firms making an informed purchase decision will see definitive gains in efficiency, analytical capabilities and productivity which will more than pay for the expenditure ■

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