The value to industry of PSI: the business sector perspective

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MICUS STUDIE

• The market for geospatial information: potentials for employment, innovation and value added
  For the German Ministry of Economics, 2003

• The Impact of Broadband on Growth and Productivity
  For the German Ministry of Economics, 2006
Market studies to be published in 2008:

• Business models for German companies in international geo-information markets
  *For the German Ministry of Economics*

• The Impact of Broadband on Growth and Productivity
  *For the European Commission, DG Information Society and Media*

• Assessment of the re-use of Public Sector Information in the Geographical information, meteorological information and legal information sectors
  *For the European Commission, DG Information Society and Media*
Negotiations about PSI re-use often fail

Barriers linked to PSI re-user
- Lack of information: what kind of data is available?
- Lack of information: which public body owns data?
- Bad experiences in the beginning of 2000
- Gradual emergence of economic alternatives

Barriers linked to PSI holder
- Lack of knowledge about market prices
- Over-estimation of the products
- No professional distribution structures
- Restrictions due to fiscal restraints

Consequences of failed negotiations:
- High prices for PSI
- Substitution with alternative private sources
- Too high barriers to market entry for PSI: unexploited business potentials
The Status quo

Example for partial substitution

The private sector is setting up parallel infrastructures

- Yellow dots: weather stations from the DWD (Germany’s National Meteorological Service)

- Red dots: weather stations from a private meteorological information provider

The private company’s own network of weather stations were built after negotiations with the DWD failed

Source: www.wetterstationen.meteomedia.de
The PSI market – in Germany

The shares in the market for geoinformation have changed since 2000

**2000**

- **Geomarketing**: 200 m €
  - 20% of Total
- **Planning and maintenance systems**: 450 m €
  - 45% of Total
- **Navigation**: 350 m €
  - 35% of Total

Total: 1.0 bn Euro

Source: MICUS Management Consulting, 2001

**2007**

- **Geomarketing**: 278 m €
  - 18% of Total
- **Planning and maintenance systems**: 500 m €
  - 33% of Total
- **Navigation**: 728 m €
  - 48% of Total

Total: 1.51 bn Euro

Source: MICUS Management Consulting, 2008
Direct effects of PSI re-use:
There are unexploited potentials for PSI re-use in Germany

Public earnings from PSI re-use in Germany
Total: 164,267 k€
Source: Federal Budget 2007, Juris

Legal information, vehicles (car register information), meteorological data have found a successful business model

Statistics and cartographic information basically represent more value, but they did not find a way to take advantage of this potential
The market value of the private sector develops according to the deregulation scenario, the public sector remains in the status-quo.

**Market value (bn€)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Scenario 1: Status-Quo</th>
<th>Scenario 2: Deregulation</th>
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<tbody>
<tr>
<td>2002</td>
<td>1.220 bn€</td>
<td>2008: 2.160 bn€</td>
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<tr>
<td>2007</td>
<td>1.510 bn€</td>
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Growth driven by the value of content
Growth driven by IT technology

Consider the whole value chain: Seeing the value added factors

Business models

Source data
- Basic data
- Specific data

Information systems
- Complex combinations of data

Information-based services
- Mapping
- Geocoding
- Analysis tools

PSI holder

Additional data and functions

Service provider

PSI re-user

enduser

Completion of a task
- Planning
- Analysis
- Marketing
- Controlling
- Routing
- Location analysis
- Business strategy
- Advertising
Recent acquisitions of private companies are indicating the market potential

- Teleatlas 308 million €
- Navteq 560 million €
- MapInfo 165 million US $
- Multimap 15 million €

Acquisition price: 2 to 5 times the annual turnover

- Pitney Bowes Ind.
- Microsoft

Acquisition price: 9 to 10 times the annual turnover!!

… meanwhile, geographical PSI re-use lags!!
Positioning PSI-holders in a performance matrix facilitates strategic development

- **Dynamic market**: (demand-oriented PSI market)
  - High PSI availability / quality of services
  - High price for PSI
- **Cash cows**: (Successful public monopoly)
  - Low PSI availability / quality of services
  - High price for PSI
- **Sleeping market**: (unrecognized potential)
  - Low PSI availability / quality of services
  - Low price for PSI
- **Question mark**: (Replacement of PSI by private data)
  - High PSI availability / quality of services
  - Low price for PSI

- Sleeping market: improve services and marketing
- Question mark: rethink your PSI strategy!!
- Cash cows: increase the PSI re-use by reducing the prices
Implementation of market focused pricing models will boost the market

- Turnover progression with moderate pricing and increasing PSI availability: Achieve a dynamic market
- Turnover progression with a moderate pricing: Turnover reduction in the short term will be compensated by increasing demand
- Turnover progression with the current pricing model: PSI products will be substituted by private offerings

Future developments
Recommendations

1. Raise awareness of the potential in the reuse of public sector information.

2. Exploiting the potential in the PSI-market requires lower pricing and less restrictive licensing agreements.

3. There is no such thing as a free lunch! Reusable, high quality information requires investment.

4. Be aware of substitution. Rethink and review the need for public services.
Thank you for your attention

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