TRG SCREEN

Revenue Management for Exchanges and Other Financial Data Providers

A-Team Insight

TRG SCREEN

Challenges for Exchanges and Data Vendors

MONETISATION OF MARKET DATA AND OTHER FINANCIAL INFORMATION IS A MAJOR SOURCE OF REVENUE FOR EXCHANGES, ELECTRONIC TRADING VENUES AND DATA VENDORS. BUT THESE ORGANISATIONS ARE OFTEN DEPENDENT ON EACH OTHER TO DELIVER THEIR DATA PRODUCTS TO END-CONSUMERS, MAKING DIRECT CLIENT RELATIONSHIPS COMPLEX.

At the same time, the industry is witnessing a growing number of vertical (and in some cases horizontal) mergers that bring together exchange operators and the vendors that distribute their data to financial services clients. This trend – illustrated by recent or ongoing mergers between the London Stock Exchange and Refinitiv, SIX and BME, and ICE and Interactive Data – is primarily being driven by the belief that the combination will create value that is greater than that derived from the two separate entities.

But the fact that these tie-ins bring exchanges closer to the final consumers of their data services should not be under-estimated.

Global Exchanges' Date Revenues (est. 2019, $bn)

Source: Company reports, Burton-Taylor International Consulting

For those exchange operators and data originators that remain independent, the absence of a direct connection to their data customers means that many struggle to understand who within financial services institutions are using their information and for what purpose. Add to that the continuing use of manual and error-prone administrative processes, and the result is that many data originators have difficulty in policing licensing agreements with end consumers, and in some cases are unable to control access to their services. This places responsibility with the data vendor to ensure their customers – whether consumer firms or re-distributors – comply with the originators' policies.

To address these issues, data producers and data vendors often deploy sales executives to establish some form of direct client relationship – both to sell more product but also to ensure compliance with access and reporting procedures. But these efforts often produce mixed results due to the sheer volume of data consumers, which stretches under-resourced sales teams.

The result is a lack of transparency with respect to client usage, which is more widely detrimental to the customer relationship. The absence of insight into how clients are using their services can stunt product development, resulting in low customer satisfaction and low levels of innovation. As well as leakage of revenues.

Exchanges' difficulty in monitoring client compliance with their licensing agreements means it can be a challenge to identify customer reporting issues outside of full-scale audits, which are cumbersome, require a lot of work on the part of the client, and ultimately can be damaging to customer relations.

Finally, with little or, at best, limited actionable data on clients' use of their products, exchanges and data vendors often have no central repository that can be used as the foundation for automating market data business processes. This hinders innovation in market data invoicing, entitlements, compliance and wider administrative functions. Again, this can complicate customer relations and hamper efforts to monetise the valuable data sets produced by exchanges' and data vendors' core activities.

> "Data vendors often have no central repository for underpinning market data business process automation."

Consequences of Limited Direct Communication

ALL OF THE ABOVE RESULT IN REVENUE INEFFICIENCIES THAT CAN HOLD BACK THE OVERALL BUSINESS OF SELLING FINANCIAL INFORMATION, IN MANY CASES THE FASTEST-GROWING SEGMENT IN A PORTFOLIO OF REVENUE STREAMS.

These inefficiencies manifest themselves in a variety of ways. For example, the lack of a direct relationship with clients can impact transparency and control. Sporadic or nonexistent usage reporting and audit trails can lead to license compliance issues.

This can result in contract management problems, such as missing renewals, and in some cases unauthorised client staff may have access to data sets they shouldn't. This means revenues from data products won't realise their full potential, essentially 'leaving money on the table' for content originators and undermining business models, with the risk of product failure.

Exchanges' and data vendors' difficulty to make proactive checks on clients' data usage may lead to duplicate subscriptions to the same data sets resulting in unnecessary payment for clients. Clients' inability to quickly and easily access product information, including fee structures and terms and conditions, can also lead to noncompliance with their licensing agreements.

For the data supplier, these issues can create repercussions in terms of damaged client relations: At best, unexpected fees that unsettle client budgets; at worst, vendor penalties for noncompliance.

In each case, remediation – in the form of a burdensome data audit – can result in damaged client relations, undermining the object of the exercise: growing the customer relationship in order to maximise revenues from information services. More broadly, poor visibility over complex subscription environments impairs revenue management decisions and revenue optimization opportunities, and ultimately hurts the client relationship.

What's Needed

IT'S ESSENTIAL FOR DATA ORIGINATORS AND DATA VENDORS SEEKING TO MONETIZE THE VALUABLE DATA SETS THEY PRODUCE OR DISTRIBUTE TO GET A CLEAR VIEW OF CLIENT CONSUMPTION OF THEIR SERVICES. BY ACHIEVING TOTAL TRANSPARENCY, THEY CAN OPTIMIZE REVENUES AND USE INSIGHTS INTO CLIENT BEHAVIORS TO STRIVE FOR OPERATIONAL EXCELLENCE.

While data vendors often represent the most effective way of delivering data services to large numbers of geographically disperse clients, they are not set up to prioritize exchange services or ensure compliance with licensing agreements beyond their own. Nor are they well positioned to capture client feedback and behavioural data and report back to originators.

What's needed is a facility that helps establish a direct connection between the data originator, data vendor and consumer in order to optimise the commercial relationship between them.

This could take the form of a platform that manages the client commercial relationship. This platform needs a number of key attributes. First, it needs to ensure that client organisations are compliant with licensing rules and fully up to date with permissions as outlined in their contracts.

The platform should provide an online capability for simplified usage reporting by consuming organisations and data vendors. This makes consumers more aware of the services they are using, and reduces the likelihood of mistaken non-compliance with licensing agreements. It also streamlines subscription administration for originators, data vendors and consumers.

The platform also should support direct product ordering, by offering consumers clear product descriptions in the form of data catalogues and transparent fee structures. This approach would enable streamlined client onboarding, alleviating data originators' reliance on third-party vendors and allowing customers to correspond directly with respect to entitlements and moves, adds and changes.

Finally, the platform should be integrated with the originators' or data vendors' accounting or general ledger systems, again streamlining invoicing and payment processes, further reducing the risk of noncompliance or audit.

"What's needed is an online capability for simplified usage reporting by consuming entities and data vendors."

The Benefits

BY TAKING THIS KIND OF APPROACH – AND IMPLEMENTING A DIRECT CLIENT COMMUNICATION MECHANISM – EXCHANGES AND DATA VENDORS CAN GET A BETTER VIEW OF THE BIG PICTURE WITH RESPECT TO CUSTOMER DATA USAGE AND MAKE FAST, INFORMED SALES AND MARKETING DECISIONS THAT MAXIMIZE THIS STRATEGICALLY IMPORTANT REVENUE STREAM.
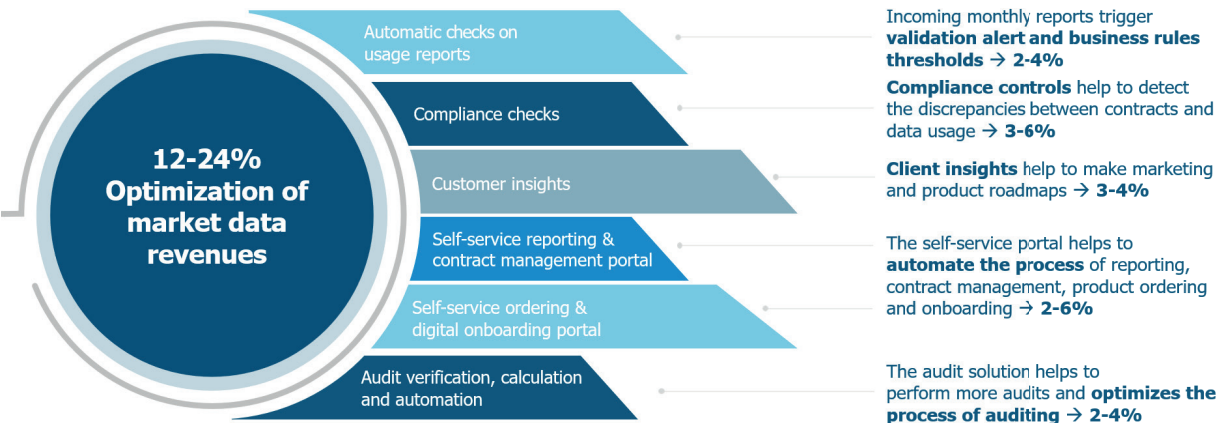
By taking this kind of approach – and implementing a direct client communication mechanism – exchanges and data vendors can get a better view of the big picture with respect to customer data usage and make fast, informed sales and marketing decisions that maximize this strategically important revenue stream.

By interacting more and directly with consumer organisations, exchanges and data vendors can start to understand client data usage, allowing them to more easily identify revenue opportunities. Analysis by TRG Screen suggests that connecting directly with data consumer clients – for example, through the deployment of a self-service portal – can result in growth in financial information service revenues of between 12% and 24% (see graphic, below).

This revenue improvement stems from a range of operational and business process improvements. Direct relationships with users can help streamline compliance monitoring and support a proactive audit process. They can help achieve operational excellence by introducing automation of administrative functions, saving time and money, and by streamlining inefficient processes like product ordering and client onboarding.

This introduces greater administrative data integrity and consistency, leading to proactive compliance and accurate and timely billing and invoicing. At the same time, standardization of reporting processes among consumer firms, data originators and data vendors can result in improved policies, underpinned by detailed, accurate usage reporting & compliance monitoring.

12-24% Optimization of market data revenues

- Automatic checks on usage reports — Incoming monthly reports trigger **validation alert and business rules thresholds** → **2-4%**
- Compliance checks — **Compliance controls** help to detect the discrepancies between contracts and data usage → **3-6%**
- Customer insights — **Client insights** help to make marketing and product roadmaps → **3-4%**
- Self-service reporting & contract management portal — The self-service portal helps to **automate the process** of reporting, contract management, product ordering and onboarding → **2-6%**
- Self-service ordering & digital onboarding portal
- Audit verification, calculation and automation — The audit solution helps to perform more audits and **optimizes the process of auditing** → **2-4%**

Overall, data originators adopting this approach to direct communications with their clients can expect to see seriously enhanced client relationships and immediate return on investment based on across-the-board operational improvements. In its analysis of the potential impact on financial information revenue streams, TRG Screen found that instituting incoming monthly reports can be used to trigger validation alerts and business rules thresholds, yielding a 2%-4% revenue improvement, for example. And compliance controls that help exchanges detect discrepancies between contracts and data usage can boost revenues by between 3% and 6%.

On the service improvement side of the equation, TRG Screen estimates that improved client insights can help exchanges to leverage more realistic marketing and product roadmaps, resulting in a 3% to 4% increase in data revenues. Implementation of a self-service portal helps exchanges to automate the process of reporting, contract management, product ordering and onboarding, boosting revenues by 2% to 6%. And finally introducing a robust audit solution helps exchanges both perform more audits and optimize the process of auditing, yielding 2% to 4% revenue increases.

This kind of ROI makes sense both for content originators who are only just embarking on their data monetisation journeys, and for established providers for whom a 20% bump in data revenues would have a significant impact on overall corporate performance.

Introducing TRG Screen Revenue Management Platform

LONG KNOWN FOR ITS DATA INVENTORY AND SPEND MANAGEMENT PLATFORMS, TRG SCREEN HAS LEVERAGED ITS RECENT ACQUISITIONS OF SCREEN INFOMATCH & CONSULTANTS AND AXON FINANCIAL SYSTEMS TO OFFER A SUITE OF REVENUE MANAGEMENT CAPABILITIES THAT HELP DATA ORIGINATORS OPTIMIZE THEIR FINANCIAL INFORMATION SERVICES BUSINESSES.

The TRG Screen Revenue Management Platform comprises a series of components, culminating in a full self-service portal facility that allows data consumers to manage their usage reporting, product ordering and client onboarding. The platform is already being used by major exchanges and other data originators to better manage client relations and optimize information services revenues.

At **Euronext**, for example, the TRG Screen Revenue Management platform is powering the exchange's MyMarketData portal for standardized reporting, online contract management and product ordering. According to Michael Hodgson, head of information services at Euronext, the portal gives the exchange's data services clients a single point of access to all their market data account information and documentation.

"The platform is enabling our customers to report market data usage, in a more streamlined and automated fashion."

The portal's self-service model gives customers instant access to notifications and requests, and manage account information such as contact details, change information suppliers and download contracts and agreements. The portal, he says, is an

"easy-to-use, intuitive user interface that puts customers' account information at their fingertips,"

as illustrated by an adoption rate of more than 90% among Euronext customers.

The Vienna Stock Exchange, which provides its Central Market Data Feed for 11 markets in the Central and Eastern European (CEE) region, says

"the Revenue Management platform has proven to be an excellent tool for the administration of market data account information. It enables us to make even better use of internal resources and to react faster to customer requirements."

BME Market Data, the entity in charge of the market data business at Spanish exchange operator BME (now part of Switzerland's SIX Group,) says

"TRG Screen's Revenue Management platform is the state-of-the-art tool that enables us, as a stock exchange, to adequately manage our business and to build solid and flexible foundations for future enhancements, helping us to effectively meet our clients' requirements."

Another TRG Screen client, **ION Markets**, adopted the Revenue Management platform in 2019 to manage the 350 or so market data relationships it manages for its Fidessa trading technology and other businesses. The platform, says Ian McIntyre, Global Head of Market Data at ION Markets,

"is enabling our customers to report market data usage, in a more streamlined and automated fashion. With exchange policy and market data administration becoming ever more increasingly complex, we believe this system will help reduce the time, complexity and risk of market data reporting for our customers."

A typical implementation starts with the creation of a product catalogue that lists individual data products and their attributes and commercial terms and conditions. Additional administrative modules to handle client contract and digital rights management and support usage reporting validation and the business rules that underpin it. With these elements in place, consumer firms can fill in a straightforward questionnaire that is used to create an order for the specific package of component data products (digital rights) that meets their requirements.

The platform forms the foundation for TRG Screen's audit tool, which streamlines the data audit process in part by proactively gathering usage data and mapping it to the permissioning and entitlement authorisations included in client contracts. The platform draws on client usage and compliance reports to support analytics that can be used by the data originator to identify customer behaviours and new revenue opportunities.

The TRG Screen Self Service Portal provides an online mechanism for all client usage reporting and declarations, becoming the focal point for account management, product ordering and client onboarding and digital signature. For content originators, the portal facilitates streamlined processing of declarations and order / cancellation of products, improving service levels and building direct relationships with endusers.

Exchanges, data vendors and other organisations seeking to monetize their data services stand to benefit from this approach in a number of ways. Most significantly, the TRG Screen Revenue Management platform offers enhanced administrative controls for originators and data vendors, streamlining the audit process and making contract management easier for clients. It gives originators insight into client usage, offering input into product development and improving service quality.

Innovative exchanges can build on this greater understanding of user consumption and; improved client relationships to better tailor their service offerings, streamline administration and grow revenues.

About TRG Screen

TRG Screen is the leading provider of software used to monitor and manage subscription spend & usage across the entire enterprise.

TRG Screen is uniquely positioned to offer the full spectrum of enterprise subscription management capabilities across:
- Spend management – FITS & INFOmatch (inbound licensing)
- Usage management – ResearchMonitor (online resources), DART (terminals) & XMon (data feeds)
- Enquiry & workflow – Quest
- Exchange compliance & reporting – AXON
- Revenue management – INFOmatch (outbound licensing)
- Specialist consulting services, managed services & events

TRG Screen is differentiated by its ability to comprehensively monitor both spend on & usage of data and information services including market data, research, software licensing, and other corporate expenses to optimize enterprise subscriptions, for a global client base.

TRG Screen's clients realize immediate ROI and significant long-term cost savings, transparency into their purchased subscriptions, workflow improvements and a higher degree of compliance with their vendor contracts.

Our global client base consists of more than 750 financial institutions, law firms, professional services firms and other blue-chip enterprises that jointly manage more than $8.5 billion of subscription spend using TRG Screen's software solutions.

TRG was founded in 1998 by a group of financial technology executives passionate about helping firms manage their high value data subscriptions.

In October 2016 TRG acquired Priory Solutions adding powerful usage tracking solutions to our portfolio of solutions.

We further strengthened our position as a market leader in enterprise subscription spend management when TRG acquired Screen Group in January 2018.

In June 2019 AXON Financial Systems, the leading provider of exchange policy and compliance solutions, joined the TRG Screen family. The combined TRG Screen business provides a truly unique global offering.

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