World Patent Information 27 (2005) 302–308

WORLD PATENT INFORMATION

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Route to profitable European PATLIB centres with a process orientated business model in intellectual property services

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Abstract

Patent information centres in Europe (PATLIB) have to reorganise their business model because of the changing market situation for information services in Europe. It is shown, that the present approach only covers a small segment of the information service market and results in low accessible market volumes for PATLIB centres. Furthermore free-of-charge web-based patent information tends to result in difficulties to achieve cost covering prices for PATLIB services. The future PATLIB market situation can be summarised as expecting danger of reduced economic viability. Based on the specific PATLIB centre characteristics a redesign of business model is described. To generate a profitable future perspective it is necessary to focus on customer relationship marketing (CRM) for the main customer, respectively the business potential of small and medium enterprise (SME) environment. Six steps are proposed for the reorganisation into IP service centres. The first two steps are the orientation along the SME-customers IP value chain and a process oriented marketing approach. The next two steps are basic business models to meet the new process orientation. Finally the necessity and the arrangement of a tight European service network to offer top quality customer services and redesigned marketing activities is described.

Keywords: Patent information service; PATLIB; Intellectual property service centre; CRM; Customer relationship marketing; SME; Business model redesign; Profitability

1. Introduction

The last years have seen a rapidly accelerated change in available patent information services. On the one hand, there is a dramatic change in information offered on the internet. Powerful service providers reach significant market shares with partially free-of-charge services. Therefore even less SMEs are willing to pay prices in the market of commercial customers which cover costs for retrieval and information services from highly educated specialists in the PATLIB centres. But in the last few years there is a complementary second pressure for PATLIB service structure. In a highly competitive business environment including complex intellectual property issues the customers needs business and process orientated support. The management wants to buy problem solving competence in favour of database ingenuity. Theses sustained trends, free-of-charge patent information and the need for problem solution on the customer side force the European PATLIB centres to redesign their business model for the commercial customer market in order to survive and ensure a probably profitable future.

This paper shows a way to develop a new business model for PATLIB centres in a competitive environment

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0172-2190/$ - see front matter © 2005 Elsevier Ltd. All rights reserved.
doi:10.1016/j.wpi.2005.04.008

for patent information services. The suggestions are based on an invited presentation given by the corresponding author at the PATLIB conference in Vilamoura, Portugal May 2004.

2. Market structure

Patent information services are a special and restricted part of information services. As the European market for scientific, technical and medical information in 2002 is estimated at 1.7 billion Euros the global patent information market is only 300 million Euros [1,2]. This can also be seen in the amount of patent information on the entire German market for electronic business information, which was only about 5% in 1998 [3]. These market shares do not reflect the high relevance of patent information in competitive technology driven global markets [4,5]. It is estimated, that information and communication will be important for more than 50% of the value chain of companies in the future [6]. Especially patent literature is the most important source for innovation, because it documents the prior art as the initial point of the innovative process [7]. It is widely regarded as the latest source of valuable technological and market related information [8–10]. To open up this resources for business purposes, patent information services had been established in the past.

In preparation of this study, interviews with the national patent offices and PATLIB centres in three European countries were carried out in February–April 2004. From these interviews, the market structure of patent information services can be seen as tripartite. Most of this service is provided by internal industry services covering approximately 50% of the entire market. These are in-house services that can be found in large corporations with an extensive information demand. About 17% of the market is covered by patent attorneys that offer research services in addition to their regular services and mostly parallel to patent application process. The residual one third of the market is covered by commercial patent retrieval providers and PATLIB centres. Their services meet the demand of mainly SME, academics and individuals. Typically these clients have no constant demand for patent information and especially SME would not have an efficient utilization of in-house solutions [11].

The following calculations try to give an estimate of the potential market volume for patent information services. They are based on experts appraisal and internal revenues of the research department of Siemens [12,13]. The estimation is based on a potential total turnover of about 200 000 Euros per employee and year which can be realized in patent retrieval services. With an estimate of 500 patent application related retrievals processed by a retrieval specialist in one year, this leads to a turnover of 400.- Euros per retrieval process and retrieval specialist. This calculation basis is extrapolated by national patent application numbers. To include research not related to patent application but for example as R&D support, an additional factor of 2 is added. The residual product of this multiplication leads to the approximate market volume for patent information services according to national patent application numbers. For Germany with 65 000 patent applications in 2002, the approximate market volume would be 78 million Euros. To verify this estimated turnover the revenue of electronic business information in Germany in 1998 can be taken into account. With a total turnover of 1.3 billion Euros and an approximate portion of 5% for patent information this leads to a market volume of 65 million Euros. In this calculation is the market volume of services neglected only in relation to the patent information volume. The potential sales volume with cost covering prices is determined by the market volume for services and patent information. This confirms the above calculated range for market volume [14].

It follows that for Europe the estimated market volume is 200 million Euros and this can be verified by extrapolating the European revenues from patent information of Derwent of The Thomson Corporation. With a market share of approximately one third and a revenue of 50 million Euros, this leads to a European market volume of 150 million Euros as the major part in cost covering patent information services [15].

The tripartite market for patent information services makes only a third of the estimated market volume accessible for PATLIB centres and commercial information services. The average market share for one centre results from the division by the total number of PATLIB centres and commercial competitors. As the number of commercial service providers differ largely within the EPO member states, only the actual 301 PATLIB centres are taken into account calculating the range of the potential market volume [16]. The resulting amount of 200 T Euros may vary between member states according to the number of PATLIB centres and competing commercial service providers. Providing patent information services in a profitable way is very difficult with this approximate accessible market volume [17]. On the one hand, this market share has probably not been reached yet for every PATLIB centre. For them it is necessary to enhance the cost intensive marketing effort to access the market of commercial customers. On the other hand, with this reachable market share it is not profitable to scale the internal PATLIB man-power up. For new potential revenue in additional markets, respectively for additional customers it is necessary to enhance the service spectrum and to create a new business process without staff expansion. The presented rough estimation based on the few accessible market figures can be taken as a basis for the further discussion.