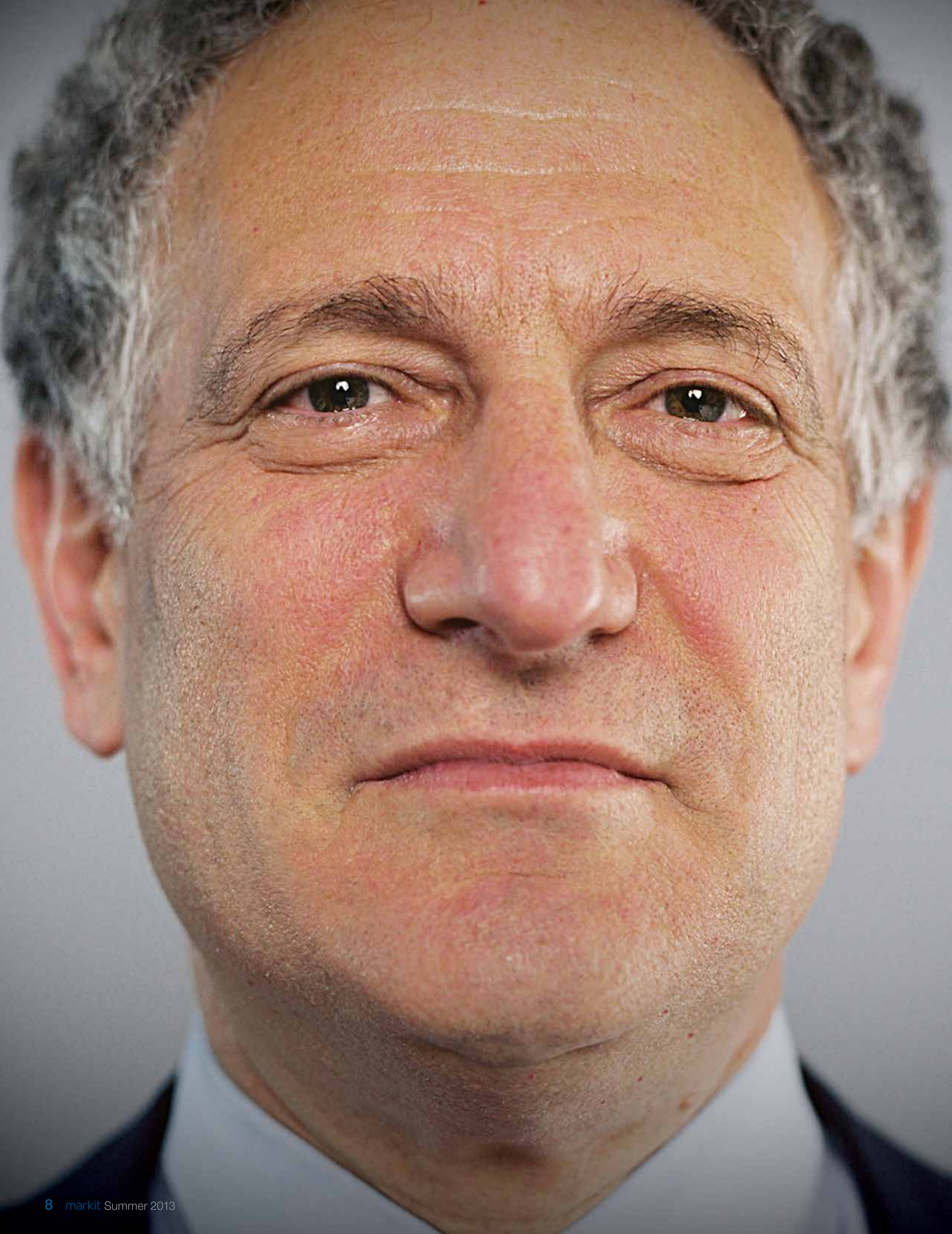

Bloomberg by Doctoroff

Bloomberg chief executive **Dan Doctoroff** talks to **Katherine Heires** about the firm's role in a rapidly changing financial world

These are busy days for Dan Doctoroff, the former deputy mayor of New York City who is now at the helm of the global financial information powerhouse known as Bloomberg. In addition to maintaining steady growth in an unsteady market environment, Doctoroff must also focus on a raft of other global matters.

These include the outlook for global derivatives markets – a growth area for the firm – cross-border investing, the impact of the Libor scandal and his firm's ongoing foray into foreign markets, most recently in China.

There is also that other issue. Last month, news broke that a major client – Goldman Sachs – had complained to the firm that Bloomberg reporters were able to access customer relations management data, which included a view of when users logged in and a tally of the functions they favoured.

Bloomberg tackled the problem swiftly, disabling its journalists' access to customer relationship information, and has since beefed up its data governance, appointing former IBM chairman Samuel Palmisano as independent adviser. In outreach to Bloomberg clients, Doctoroff has been explicit: "Nothing is more important than our clients' trust…we apologised for our mistake and took immediate action." Reassuring clients on privacy is now a top item on Doctoroff's long list of priorities for the company.

When Michael Bloomberg left the eponymous company he founded in 1982 to become the mayor of New York City in 2001, the world was a different place, and Bloomberg was a different company. For years, the privately-held firm kept a deliberately low profile and was an unknown entity in most industry quarters – the exception of course being financial services, where Bloomberg's primary product offering, the Terminal, dotted the cluttered desks of bond traders and the mahogany credenzas of executives up and down Wall Street.

Entering its fourth decade, while the Terminal still accounts for the lion's share of the company's revenues, Bloomberg has become a leading provider of analytics, trading platforms, data services and news for financial markets. As Bloomberg has grown and pushed into new business lines, the company has had to become less insular and more attuned to new challenges.

Further evidence of the firm's global expansion plans can be found in London, where construction of a 750,000 square foot Bloomberg office complex is

Photography: Christopher Lane

Screenshot: Bloomberg's famous 'Terminal'

315,000

subscribers to Bloomberg in 174 countries receive specialised content and data

underway. The aim is to house the firm's 2,600-plus London-based employees.

Doctoroff must also oversee the expansion plans for the core operation of the business. Introduced three decades ago, the Bloomberg Terminal touts an unwavering "one-size-fits-all" pricing model and a subscription-based "walled garden" approach to serving up specialised content and data to 315,000 subscribers in 174 countries.

Despite the growing prevalence of "pay for use" models, according to Doctoroff the current pricing model works and so there are no plans to offer à la carte services or alter Bloomberg's single-price model (currently, $20,000 annually).

So how will Bloomberg compete in an age of growing use of the web, social media smartphones and tablets as sources for accessing free financial information? The answer, insists Doctoroff, is all about serving up more services for the firm's existing and potential customers.

"Our task is to create greater value to a higher percentage of the available market for the financial services and products we provide," Doctoroff says, sitting in a glass-walled conference room at Bloomberg's headquarters in midtown Manhattan. The building is notable for its soaring glass design, sun-drenched atrium and free food and drink stations – often featured on Bloomberg TV.

"If you look at New York City, a market I am very familiar with," he says, "there were about 200,000 people in the year 2000 who worked in the investment and securities industry and there were 27,000 [Bloomberg] Terminals in New York. Today there are about 165,000 people who work in the industry and we have 52,000 Terminals [in New York]. How have we done that? We've added more and more value."

He cites new and improved Bloomberg Terminal functionality to facilitate activity in foreign exchange, commodity and derivatives markets, providing information for virtually every market around the world with, increasingly, a big focus on emerging markets.

"We have become a lot stronger in electronic trading which is a part of the Terminal that we don't charge for; and we are now starting to add value for markets that we didn't historically serve like equity research, investment banking and private equity; we are penetrating corporations, C-Suite and Treasury offices in ways we've never done before; and we've made an enormous investment in new content, functionality and workflow tools that make it worthwhile for a higher percentage of users," says Doctoroff.

He says the firm recognises that the number of people working in the financial services sector globally is not expected to grow significantly without a natural uptick in markets, especially in Europe, so the strategy is to simply serve a higher percentage of those who remain. So what other steps has Doctoroff taken to achieve this goal?

Over the past four years Bloomberg has started eight or so businesses that will also serve the enterprise sector, including real-time data feeds, risk systems and message storage retrieval systems. The firm's expansion to the middle and back office includes real-time data feed business, with information on equities, fixed income, futures, derivatives and other OTC securities from over 2,500 third-party contributors (including Markit); and the firm's valuation service that provides valuations across a spectrum of fixed income instruments and OTC derivatives.

In May 2012, the firm acquired Dublin-based PolarLake, a software provider for enterprise data management, allowing it to assist its corporate and financial firm customers with Big Data issues, including the acquisition, management and distribution of data, not necessarily from Bloomberg.

The firm is a wholly-owned subsidiary of Bloomberg and competes with Markit EDM, formerly Cadis Software, a global enterprise data management specialist acquired by Markit in May 2012.

"All of these serve the broader interests of our customers and so, between growth in the front and back office areas, we think we have a powerful and organic growth model going forward," says Doctoroff. Other steps taken to broaden the company's reach include the creation of Bloomberg Government and Bloomberg Law, two subscription-based services that have benefited from the acquisition of the Bureau of National Affairs, a provider of information on labour, regulatory and tax issues; and the acquisition of New Energy Finance in 2009 to facilitate the formation of Bloomberg New Energy Finance, a provider of renewable energy news and data.

This has been coupled with an expansion into more high-profile media markets, with the acquisition of BusinessWeek in 2009 for $5 million, renamed Bloomberg BusinessWeek. At the time of the acquisition, the magazine was losing more than $60m a year, but in four years that number has been reduced to $18m.

Future acquisitions are not out of the question and indeed, late last year, there were was idle chatter that the firm might acquire the Financial Times, which is also a part owner of The Economist. Mayor Bloomberg has publicly expressed his admiration for both publications and is often seen carrying a copy of the salmon-coloured FT.

Photography/Artist's impression : Foster & Partners

Golden era: Artist's impression of Bloomberg's new office complex in London

"We will never be a company that grows significantly through acquisitions"

Certainly, the firm's growing presence in London has encouraged speculation about a possible acquisition. Other analysts have cited The New York Times or LinkedIn, the business-orientated social media site, as possible acquisitions.

Doctoroff clarifies the firm's M&A outlook by saying: "We will never be a company that grows significantly through acquisitions. We are a company that will grow organically. Having said that, we have become a bit more thoughtful about buying things where we believe that we wouldn't be able to get into an area that's part of our strategy as quickly or as effectively on our own."

In addition to recent acquisitions, Doctoroff has overseen the firm's continued move into the digital realm, with the launch of Bloomberg.com, Bloomberg.com/TV (where its television offerings can be viewed), Bloomberg View, a news opinion and editorial division, and Bloomberg Anywhere which offers app access in a range of formats, including iPhone, iPad and Android. In April this year, business-related Twitter feeds were added to the Bloomberg Terminal.

But perhaps the greatest sign of change was the news in December last year that Bloomberg had launched an App Portal, under the auspices of its enterprise products and solutions group, allowing third parties – trading firms and institutional clients – to build new Bloomberg functions to run directly on the Bloomberg system, though no order or execution management systems are allowed.

"There's been extraordinary demand for it," says

Data on Doctoroff

Title
President & ceo, Bloomberg LP

Age
54

Twitter handle
@DanDoctoroff

Bloomberg short-cuts he likes
News filters such as STNI

Bloomberg visual tools he likes
The new, high-resolution, charting tools

Mobile tech he uses
iPhone 5 & Blackberry Bold

Frequently used smart phone apps
Box.net, Kindle and of course Bloomberg BusinessWeek

Last notable book read
"The Righteous Mind: Why Good People Are Divided by Politics and Religion" by Jonathan Haidt

Favorite charity
Target ALS, which he founded, that aims to speed up discovery of new approaches to treating amyotrophic lateral sclerosis, also known as Lou Gehrig's disease

Diversions
Cycling and golf, the latter after a lapse of 40 years

Doctoroff, who noted that the service is used primarily by Bloomberg clients rather than outside third-party developers, who have their own internal applications they may wish to integrate with Terminal offerings such as data or risk analysis tools, for example, to then create something to grow their own client base. "It's been a powerful addition for us," Doctoroff says.

Despite the roster of new services and functions, some challenges lie ahead for the firm as there continue to be cutbacks in both the financial and legal workforces – prime markets for Bloomberg products and services; the impact of new content distribution models and preferences in the age of social media; as well as dramatic change and uncertainty in both global market structures and regulatory frameworks. On the latter point, Bloomberg has become a more assertive voice in recent regulatory matters, including the implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

In April, Bloomberg LP filed a lawsuit and then in May, an injunction, related to the US Commodity Futures and Trading Commission (CFTC), a regulator of swaps and futures markets. Bloomberg disputes a new rule that would make the trading of swaps far more expensive than futures.

"There are many markets we have chosen not to enter because we don't want to compete with our customers"

At stake is Bloomberg's continuing shift into trading markets and, specifically, its ability to prosper in the $700 trillion swaps market, where the firm has filed to launch a regulated electronic trading platform for swaps – known as a swap execution facility or SEF. Bloomberg currently executes approximately $100bn daily in credit default swap and interest rate swaps via its trading platform and provides data on swaps to buy and sell-side traders.

Doctoroff has previously described the rule as allowing market participants to evade the Dodd-Frank legislation, specifically, its regulations dealing with derivatives that call for greater transparency for the swaps market. In mid-June, the US District Court dismissed Bloomberg's suit against the CFTC, but the case illustrates the company's willingness to directly engage in order to protect its emerging business interests.

"We are very sensitive about competing with our customers," Doctoroff says. "There are many markets we have chosen not to enter because we don't want to compete with our customers. But there are some places where it's just inevitable, that the market is moving in that direction and, therefore, we will make a decision to enter a market. However, our very strong inclination is to avoid competing with our customers."

Despite all these challenges, at present the firm reports a steady course. Doctoroff says revenue projections for 2013 are in the order of $8.3bn, up from 2012's revenues of $7.9bn. He says 80% of revenue comes from the Bloomberg Terminal business (down from 85% in 2012) and specifically, 37% from customers in the US, 35% from Europe, 18% from the Asia/Pacific region and the remainder from the rest of the world.

According to Burton-Taylor International Consulting, which tracks the financial data market, last year Bloomberg controlled approximately 31% of the $26bn annual market and for the first time slightly outperformed the other major player, Thomson Reuters.

With more than 315,000 subscribers at present, Doctoroff points out that, "At the end of 2007 and before the financial crisis, the number of subscribers was 268,000. So, despite the crisis and reduction in the number of people in the industry, we've seen good growth in the number of Terminal subscribers over the last five years."

As Bloomberg continues to enrich its content set and expand into new markets, it will need to remain attuned to the complex and changing world in which it operates while fending off competitors. Of course, given the breadth and depth of its coverage, the Bloomberg Terminal will likely prove too addictive for many users to give up.

Katherine Heires is a freelance business & technology journalist and founder of MediaKat llc

31%

of the $26bn annual market was controlled by Bloomberg last year, according to Burton Taylor International Consulting