[GB] BBC Trust Highly Critical of BBC Worldwide's Acquisition of Lonely Planet

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On 7 November 2013, the BBC Trust published its review into BBC Worldwide's acquisition and ownership of Lonely Planet.

In 2007 BBC Worldwide (the BBC commercial arm) acquired 75% of Lonely Planet, the publisher of travel guides; it acquired the remaining 25% in 2011. The total price was £132 million and it invested £20 million during its ownership. In 2013 Lonely Planet was sold for £52 million, a substantial loss. The BBC Trust required the BBC Executive to commission a report on lessons learned, and this has now been published.

The report made a number of highly critical findings. The forecasts on which the acquisition had been made were too optimistic, especially in relation to Lonely Planet's unproven online business, and the forecast for earnings of a margin of 30% was highly optimistic. BBC Worldwide seemed to have been carried away with deal momentum, and there had not been enough downside analysis of the effect of a faster than expected decline in book sales and of not achieving very optimistic online forecasts. The negative public reaction to the deal, on the grounds that it created unfair competition, should have been anticipated and better dealt with. Integration with BBC Worldwide was too slow, and the task of migrating the business to other platforms, especially online and tv, was substantially under-estimated. There was inadequate scrutiny of the financial performance of Lonely Planet. During its ownership, there was a bias towards positive reporting, despite signs that all was not well. There was also a lack of accountability for the management and integration of Lonely Planet.

The strategy to move content online and then to monetise it through advertising was delayed, and this had a negative impact on the ability to generate advertising revenue. BBC Worldwide was required to work counter-intuitively through producing content for the BBC rather than marketing and selling BBC content. There was no team experienced in online travel and e-commerce that might have resulted in Lonely Planet adopting a different model such as that of TripAdvisor.

Recommendations for the future are that all information relating to investment proposals should be widely and transparently shared, that the BBC and BBC Worldwide should work more closely together, and that once investment decisions are taken there needs to be clarity about, and accountability for, the operational

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and financial performance of the investment. Better and more regular key performance indicators are needed. Once an investment is made, the BBC must stand behind it in the face of negative external comment. BBC Worldwide needs better and more informed scrutiny and oversight by the BBC. The remit of BBC Worldwide has now been changed so that another acquisition of this kind probably could not happen. Similar purchases by other media companies also incurred substantial losses.

BBC Trust: 'Lonely Planet: A Review of BBC Worldwide's Acquisition and Ownership', 7 November 2013

http://www.bbc.co.uk/bbctrust/our_work/commercial/lonely_planet_review.html

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