

ANALYST COMMENT



Data Monetization – Use Cases, Implementation and Added Value

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A TEKNOLOGY GROUP COMPANY

This study was prepared by BARC, an independent market analysis firm.
This study is available free of charge thanks to the generosity of Tableau.



Data Monetization – Use Cases, Implementation and Added Value

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How do companies monetize their data?

Data is a central resource in the 21st century. Only those who manage to extract value from their data will remain competitive. For this reason, many organizations are looking at innovative ways of using their data to create value. Data monetization refers to the process of identifying and marketing data or data-based products to generate monetary value. Data products (i.e., products based on raw, refined or analyzed data) are at the heart of data monetization. They can take many forms, including consumable data sets, analysis results and operational applications that contain analysis results. These can come as reports, extensions of existing products, digital platforms or can be incorporated into new business models.

When discussing the use of data products, a distinction should be made between internal and external data monetization. Internal data monetization aims to improve internal processes such as marketing and customer experience or the maintenance of equipment. External data monetization involves using data to extend an organization's product offering with data-driven services or business models to create new revenue streams.

This survey-based study offers insights into how European companies are approaching data monetization. Among others, it seeks to answer the following questions:

- How relevant is data monetization and what level of maturity have current projects reached?
- How are companies monetizing data?

Data monetization refers to the process of identifying and marketing data or data-based products to generate monetary value.

- What use cases have organizations already implemented? What use cases are being planned?
- Which technologies are used to implement data monetization projects?
- What are the benefits of data monetization?
- What are the biggest challenges in implementing data monetization?

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Management summary

This survey-based study offers insights into how European companies are approaching data monetization. The online survey was carried out in October and November 2018. It was publicized via websites, events and BARC's email newsletter with 200 participants from a wide range of company sizes and industries taking part.

Figure 1 reveals a fairly even distribution of large, medium and small companies. 36 percent of the survey respondents came from the services sector, 18 percent from industrial companies, 15 percent from IT, 12 percent from banking and finance, 10 percent from the retail sector and 7 percent from the public sector.

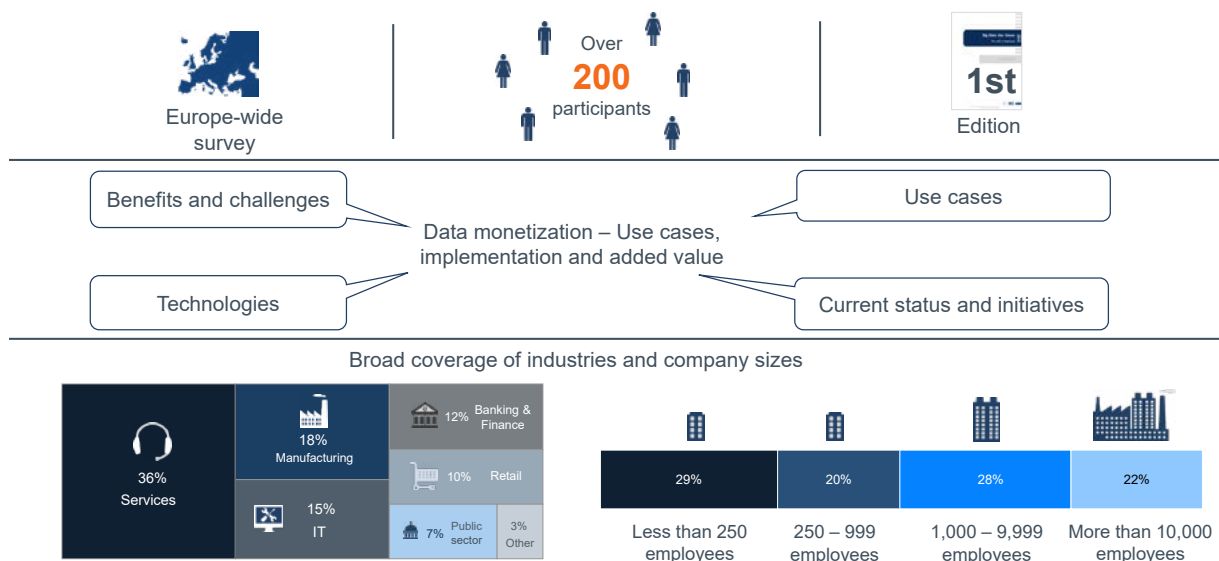


Figure 1: Summary of BARC's data monetization survey

The survey was aimed at European companies, but more than half of the participants came from the DACH region (Germany, Austria and Switzerland). Participants from Southern Europe made up 16 percent of the sample, 10 percent came from the United Kingdom, 10 percent from France, 5 percent each from BeNeLux and Eastern Europe and 2 percent from Northern Europe.

The key findings from the survey are presented in the following hot spots.

Data monetization is at an early stage of adoption but is expanding

Hot Spot 1



17 percent of companies have established data monetization initiatives, a further 12 percent are currently building prototypes and another 10 percent are still developing a concept. Large companies from retail, services, finance and banking are leading the way and, in general, data monetization is currently being implemented by larger companies. 25 percent of large companies and 23 percent of larger medium-sized companies responding to our survey have already launched data monetization products. In contrast, only 9 percent of small and 13 percent of small to medium-sized companies have already done so.

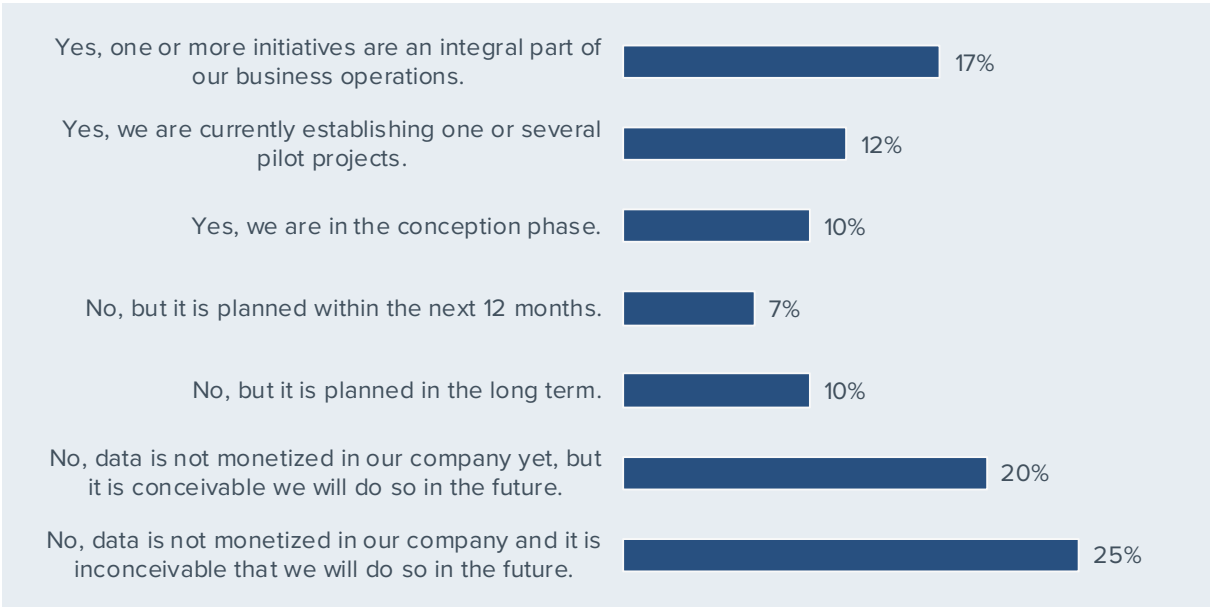


Figure 2: Is data being monetized in your company? (n=200)

Companies still have the opportunity to secure a competitive edge by engaging in data monetization. Our results show there is value in data monetization, but management needs to give priority to these initiatives. Therefore, data monetization projects must be tied to business goals and strategy.

Providing results for process improvement is the main way to monetize data

Providing analysis results is the most common form of monetizing data. 40 percent of participants employ this type of data monetization, whereby data analytics is involved. The provision of data via reporting and benchmarking is almost as important with 37 percent of respondents citing this type of data monetization. Less common methods include establishing digital platforms (22 percent), extending existing products (17 percent), providing new services (16 percent) and building new business models based on data (6 percent).

Data monetization occurs mainly via the distribution of analysis results and via reporting and benchmarking. Fewer companies establish digital platforms, enhance existing products with new services or create new business models. The main focus is on the internal distribution of results as external data monetization is more complex, requiring companies to rethink business models. Furthermore, higher standards of data quality and security are required for external data monetization.

Hot Spot 2

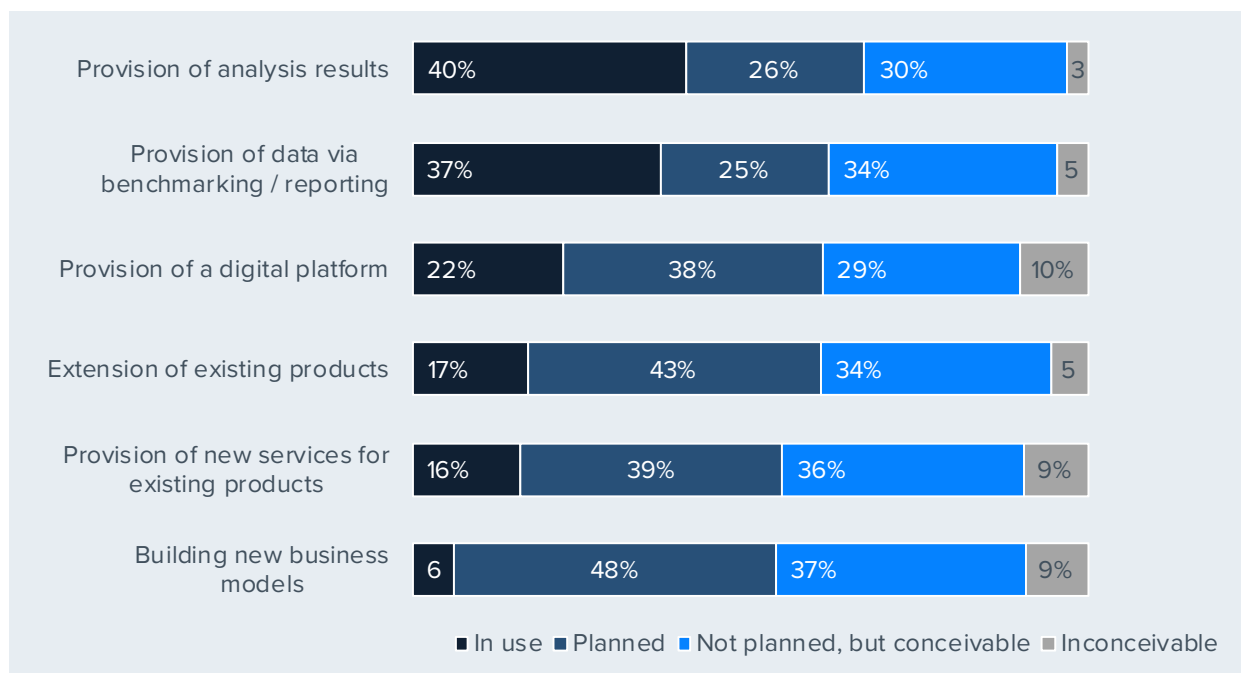


Figure 3: How does your company monetize or plan to monetize data? (n=137)

Using commercial technologies

Given that the most common way to monetize data is the provision of data via benchmarking and reporting, it comes as no surprise that the most common technologies used are BI software (86 percent) and data integration tools (70 percent). There is also a high proportion of custom developments for data monetization (54 percent). Commercial analytics software tools are used a little more (48 percent) than open

Hot Spot 3



source tools (40 percent) but the difference is quite small. In terms of back-end technologies, commercial software is the most commonly used – analytical databases (53 percent) are used more than twice as frequently as Hadoop technologies (25 percent). Embedded BI solutions are used in surprisingly few cases (38 percent).

The use of commercial back-end and front-end technologies is prevalent. Commercial technologies make it easier to establish, govern and maintain data products. Especially in cases where analytics is part of the solution, the value of data monetization depends on proper maintenance because data changes over time and models need to be updated and re-trained.

Benefits are tangible

Data products can bring a broad range of benefits, from new revenue sources to a better understanding of customers and product improvements. New revenue sources are the most important benefit of data products, reported by 69 percent of respondents. For 66 percent, the provision of new services is a benefit, and improved customer loyalty is cited by 63 percent of participants. Internal provision of the results of data analysis is a motivation for data monetization for more than half of our respondents (59 percent), as is the internal provision of data and benchmarks (53 percent). Better insight into customers and improved customer experience – for example by personalization – is achieved by about 50 percent of participating companies. Generating new data is only viewed as a benefit by 38 percent, and binding partners and suppliers by 31 percent.

Hot Spot 4



Figure 4: Which benefits have you achieved by monetizing data? (n=32)

Challenges - Data quality is key

Not surprisingly data quality is by far the most common obstacle to monetizing data, reported by 56 percent of respondents. Data security is a concern for 37 percent. This arises when data is shared and proper anonymization needs to be taken care of. Integrating data products into existing systems is a problem for 37 percent. Besides these data and technology-related concerns, respondents also reported challenges such as lack of management support (34 percent), lack of use cases (32 percent) and lack of professional know-how to implement data monetization initiatives (31 percent). Cost and a shortage of data were cited by 25 percent and 19 percent respectively.

Taking care of data quality is an underestimated but essential discipline. Most initiatives encounter problems with data quality, and many fail because of them. Taking care of data quality means collecting data in the right way, knowing how to interpret it, knowing where the data comes from and how it was processed, as well as gathering the right data. Reproducibility and traceability are key when it comes to data quality. Commercial solutions support these via data lineage, data catalogs and data integration. Data security is another major challenge. Companies should ensure they have a good understanding of the relevant privacy regulations and should acquire legal consent to use clients' data.

The major obstacles to launching data product initiatives can be summarized by priority, risk and relevance. A lack of priority in the company is an obstacle for 52 percent of respondents. The next biggest barriers are concerns surrounding data security (32 percent) and the lack of a compelling business case (30 percent). Operational reasons are less likely to thwart initiatives. A lack of know-how, skills and resources is reported by 14 percent, unclear responsibilities by 10 percent, complexity of the topic by 8 percent and cost by only 8 percent.

Hot Spot 5



Tableau

www.tableau.com



Company profile

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