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A CITO Research Guide to Data Monetization

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CONTENTS

Introduction	1
The New Data Landscape	2
Developing a Data Monetization Strategy	2
<i>Four Stages of Data Monetization</i>	2
<i>Steps to Data Monetization</i>	4
Recommendations for Data Monetization	6
Determine Requirements for Data Monetization	7
Conclusion	9



Introduction

With the speed of innovation and the increasingly competitive and dynamic nature of the business marketplace, companies are working hard to evolve and generate new revenue streams. Finding those opportunities requires time and money, and both are in short supply. Fortunately, a largely untapped and lucrative revenue stream already exists within most large companies—data. Monetizing data presents a compelling business opportunity for virtually every company. It can become a driving force for upselling a product or service. It can also become the basis for a whole line of new data products. Either path holds the promise of paying long-term dividends, given the right approach.

A largely untapped and lucrative revenue stream already exists within most large companies—data

Some industries are already glimpsing the benefit of and developing strategies for data monetization, including independent software vendors (ISVs) and digital agencies. This is due to the availability of data (some of which they've never had before) and the nature of their expertise. But data monetization is not limited to ISVs and digital agencies. Any company can capitalize on its information expertise to make money.

The question is where to start. This CITO Research guide offers an overview of the various levels of data monetization based on the experiences of those paving the way. This guide will help you understand data monetization so you can gauge your organization's readiness for taking on a data monetization strategy.

The New Data Landscape

With the onset of big data, companies can tap into and learn more from data than ever before. Much of this data is internal, including data about customer buying behavior, product usage, the supply chain, sales, and marketing campaigns. ISVs in particular have a wealth of internal data at their disposal thanks to the Software-as-a-Service (SaaS) delivery model.

In the past, usage data lived within the customer's infrastructure. The ISV only had access to the data if the customer chose to file anonymous reports. SaaS moves usage data to the ISV's infrastructure, making it internal data. Now providers are getting more than the occasional bug report. Data about popular features, workflows, and errors can be used to improve software products.



As traditional software vendors move their products to the cloud, it becomes increasingly important that they leverage this internal data to keep up with SaaS ISV providers that have already leveraged this data. Such cloud-based ISVs typically present insights to engage customers based on their own product usage. Customers will expect ISVs that are shifting their software to the cloud to do likewise.

External data sources are increasingly leveraged to enrich corporate data, adding variety and additional dimensions that augment the data's value. Examples of external data sources include social media data, competitive data, marketing

trends, weather, and sensor data (from the Internet of Things). Digital agencies are a prime example of businesses that have established domain expertise based on a variety of external data sources. For years, agencies have manually collected and analyzed this data as a billable service. Today, analytic tools enable agencies to productize that domain expertise and transform it into recurring revenue streams that continue to deliver revenue even after billable hours end.

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Developing a Data Monetization Strategy

The next part of the paper takes you through the following sections:

- Four stages of data monetization
- Steps your organization can take toward data monetization
- Recommendations to consider, depending on your stage in data monetization
- Requirements to consider when looking for a platform

Four Stages of Data Monetization

At CITO Research, we have watched companies leverage data monetization to realize new revenue streams. They generally progress through four stages of data monetization. These stages can help you assess where you are in your own efforts toward data monetization. It should be noted few companies firmly reside in one stage. Companies often find they have characteristics of two stages, but will find themselves predominantly in one of those and thus can categorize themselves in that way.



Stage 1: Reactive | *Collecting data*

The company collects data about customers and their use of its products.

A logistics company may track containers and alert people to problems, but it does not otherwise engage customers with this data. Customers may complain about not having enough visibility.



Stage 2: Descriptive | *Creating visibility with data*

The company starts to recognize the benefit of visualizing data to uncover patterns and trends.

A logistics company may wonder if three problems a week are more or less than should be expected. The company wants to understand the current situation, where problems are occurring, and where attention should be focused.

Customers may notice improvements in operations, but do not have detailed information about those improvements.



Stage 3: Diagnostic | *Recognizing the value of data*

Visibility frames data in a new light.

An ISV may realize that its data has value for users. A digital agency may share information with clients to prove its value.

Visibility leads to new ideas and desire for more data. Data is being used inside the organization and by customers, which exposes opportunities for productization.



Stage 4: Proactive | *Building data products*

Companies envision data products.

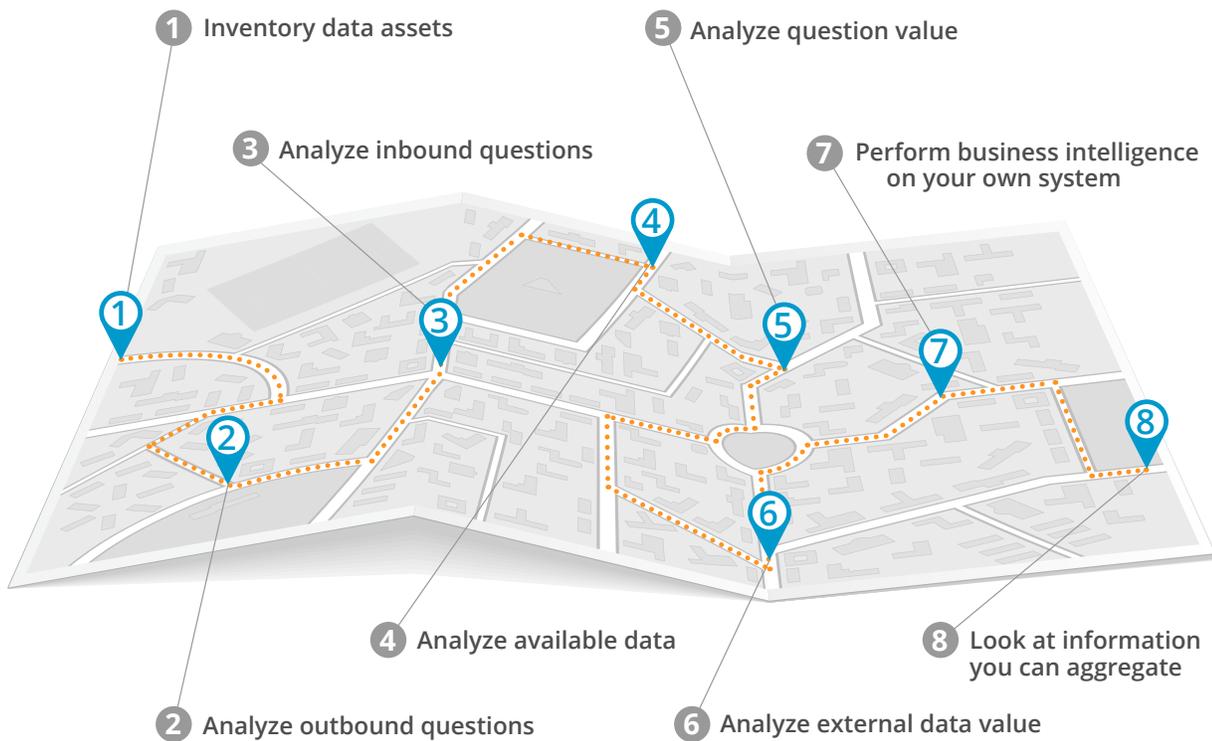
Companies begin to realize the revenue they could generate by monetizing their data. They evaluate their situation to see what revenue can be generated by creating new products based on analytics and begin to build data products based on what they know.

This is most easily accomplished when the analytic platform is the focal point for the collection of all data, with the potential to embed analytics into existing products and create data products directly.



Steps to Data Monetization

It's fairly easy to see what stage (or stages) your company is in, but with so much data at your disposal, it can be difficult to determine which datasets offer the most value to customers and will prove to be the most lucrative. The following steps show how to create additional revenue streams while serving the needs of your customers.



Step 1: Inventory data assets

Make a list of all the data your company collects. Develop a thorough understanding of the raw materials you have to work with, including both internal and external data assets.

Step 2: Analyze outbound questions

Look at the data and your analytic capabilities, and determine what questions you can currently answer that may be of interest to your customers. Consider, for example, whether there are data points within existing products that can be exposed to customers that they'd be willing to pay for, or whether you have domain expertise around certain data sources that you can productize as a SaaS offering and monetize for a recurring revenue stream.



Step 3: Analyze inbound questions

Interview customers to determine what questions they would like answered irrespective of the data you possess. In other words, what questions can you potentially answer, whether or not you currently have the data to do so?

Step 4: Analyze available data

Determine which questions can be answered with available data. In other words, what questions can you currently answer with the data you have on hand?

Step 5: Analyze question value

Determine the value of the questions that you can answer with available data. Which are the most valuable to customers? Solving customers' biggest problems or answering their most pressing questions with fewer pieces of data and fewer analytics is of greater value than giving them every piece of data you collect.

Step 6: Analyze external data value

Determine the value of questions that cannot be answered with available data. Research how to create or purchase data to answer those questions.

Step 7: Perform business intelligence on your own system

Look at the usage of your systems and products. Who is using the most of your products and services? Which ones? Who is using the least? Are there anomalies (one customer or user whose usage greatly differs from the others)? How can or should you change things based on what you are learning? Create dashboards for internal use so you can continue this analysis.

Evaluate whether customers are asking for, or could benefit from improved analytic services. Potential services could include performance reports to show the value of your products or services. Customers will also request improved transparency and understanding through better reporting.

Step 8: Look at information you can aggregate

You have another kind of data customers want: information on how they are performing compared with others. This type of benchmarking is extremely valuable to customers and partners. How else would they know if they are using your service or product to its fullest?



Recommendations for Data Monetization

Now that you've assessed your progress through the stages and thought about the steps to take, you may wonder how to move from one stage to the next. This section recommends how to progress through your data monetization journey.

Offer visibility

If you find yourself in stage 2 and want to move to stage 3, consider embedding dashboards and analytics for your customers or partners to provide them with some visibility into their own usage. For example, an ISV like Zendesk might provide insight into the number of open trouble tickets a customer has. For a digital agency, visibility into the performance of creative and community campaigns can showcase results as proof points for the agency's value. This basic visibility is often provided free of charge to customers because, like free samples, it sparks the real beginning of data monetization.

An ISV like Zendesk might provide insight into the number of open trouble tickets a customer has

It may not be possible to offer visibility without evaluating how analytic insights are delivered to customers. Will you build an analytic solution yourself or license an embeddable BI product from a vendor? Consider whether you are seeking an end-to-end platform that includes:

- Big data integration and warehousing
- Advanced and extensible analytics
- Easy to use visualization capabilities

or whether you are planning to assemble these capabilities from combinations of free and commercial software.

Branch your analytic offerings into free and premium

Offering visibility to customers and partners often leads to requests for more visibility or different kinds of visibility. Customers begin to ask for new views, new angles, and even want to build their own analytics. They may ask to white label your dashboards for their users or stakeholders. The answer to these questions is yes, for a fee. You have just identified your first premium analytic upgrade and are now monetizing data. This recommendation helps you transition from stage 3 to stage 4.

Stage 4 in many ways is just the beginning. You have now started offering data products. Data products represent an entirely new line of business for most organizations, so there's much more to do.



Listen for product ideas and designate a product manager

It's important to listen to requests from customers and partners because these requests often generate additional "aha" moments. You may not realize how valuable your data is until you see others using it. For digital agencies in particular, this is often a revelation. You are sitting on treasure troves of data that you had not noticed before. Listen carefully to what your customers and partners need, and consider creating a product management role for analytics in your organization to help you define your strategy and fully productize your offerings.

Find ways to personalize your data

The more specific and personalized you can make the analytics you deliver, the more valuable they are to customers. Ideas of external data sources to consider mixing in include geodata, address enhancement data, machine data, weather data, demographic data, and business data. The open data movement makes a wide variety of data public and freely available. See how external data can enrich the data you already have.

Keep listening to your customers to inform your product roadmap

As customers request new types of analytics from you, such as churn analysis, internal activity reports, or longer views of historical information, you'll get ideas for additional data products.

Determine Requirements for Data Monetization

The key to successfully monetizing data is embedding analytic offerings seamlessly within an existing product or as a standalone portal. The most direct approach to doing so is to partner with a third-party analytic platform provider that can support you in rolling out data products. Here are some requirements to consider as you look for a third-party analytic platform or work toward building your own.

- **Embedded and white label analytics.** Find a provider that easily embeds analytics in your product and extends customization capabilities to your customers. This eliminates the need for you to build your own reporting, dashboarding, or data discovery functionality. You and your customers may also want to white-label your analytics for their environments. In other words, your customers may become your partners in data monetization, if the white labeling is targeted at your customer's customers or even at their own internal stakeholders.
- **Integration flexibility.** It's important that your analytic offerings seamlessly integrate with your product, including single sign-on support and the ability to automate BI tasks including administrative tasks like adding users. Integration is also vital so that you can incorporate a wide variety of data sources to enrich your data, including cloud data sources that are delivered through an API.



- **Centralized Data.** To more easily monetize data, make sure that all data resides in the same environment, even if it is secured and isolated on a customer by customer basis. The ability to use common metadata, aggregate across customers or add new sources across the client base is only possible when all data shares a common repository.
- **Analytic flexibility.** The platform should support all the types of analytics and visualizations required, especially the ability to tailor the delivery of insights based upon the skill and permission level of each persona you intend to support.
- **Robust security.** Data products require strong security to prevent data loss (after all, the data is the product). The platform must also provide fine-grained access control so that users see only the data they are authorized to see.
- **Support for big data and “data lake” style analytics.** All data types should be welcome, from machine data to structured data to location data coming from mobile apps. A central, fully integrated, and scalable warehousing solution should be included because you never know how big your data product line might grow for you and/or your customers. An end-to-end cloud analytic platform is an ideal solution here due to its ability to centrally collect and warehouse all data.
- **Partnership. Data monetization is new to most companies.** Having a platform provider who can help you get your data products launched and offer you their expertise is an important differentiator. Does the vendor understand where the big issues are?
- **Ease of provisioning.** Choose a platform that enables you to automate the ongoing provisioning and configuration of the entire stack. This is crucial for achieving economies of scale. Without automation, operational overhead will grow along with your customer base until you have a nightmarish collection of change requests to update reports, provision new infrastructure, and make updates to all of it. You’ll end up spending more on infrastructure, operations, and support than if you had not monetized your data. On the other hand, if you set up a platform that is programmatic and automated, margins will grow along with your customer base.



Conclusion

For today's companies, data monetization offers promising new revenue streams. The advent of big data and analytic platforms makes it possible to transform expertise into products that engender loyalty, differentiation, and new revenue streams that continue to produce income outside of billable hours. Data monetization, in effect, puts your data to work for you. But it does much more than that.

As more companies choose to monetize their data, those that opt not to will be at a growing disadvantage. They risk not addressing their customers' needs as well as their competitors. They risk not capturing the full potential of their products and services. In short, they risk being left behind.

In effect, every company is a data company, but if you don't use that data, you're at a disadvantage. That's why, at CITO Research, we believe that data monetization will become a core competency that will include extracting revenue from data and analytics to create new products and services. Companies that begin to intentionally pursue data monetization today will not only meet their growth objectives, but also gain a competitive advantage over their peers. At the end of the day, customers don't need data—they need information, and they'll do business with companies that deliver.

[Learn more about data monetization ▶](#)

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