How to Monetize Your Data

These days, most companies are awash in data. But figuring out how to derive a profit from the data deluge can help distinguish your company in the marketplace.
The possession of rich amounts of data is hardly unique in today’s world. Indeed, data itself is increasingly a commodity. But the ability to monetize data effectively — and not simply hoard it — can be a source of competitive advantage in the digital economy.

Companies can take three approaches to monetizing their data: (1) improving internal business processes and decisions, (2) wrapping information around core products and services, and (3) selling information offerings to new and existing markets. These approaches differ significantly in the types of capabilities and commitments they require, but each represents an important opportunity for a company to distinguish itself in the marketplace.

Theoretically, companies can pursue more than one approach to data monetization at the same time. In practice, adopting each approach requires management commitment to specific organizational changes and targeted technology and data management upgrades. Thus, it’s best to identify your most promising opportunity and start there. In doing so, you will enhance your data in ways that will accelerate subsequent efforts related to the other approaches.

More importantly, you’ll build your company’s capacity for monetizing its data.

Improving Internal Processes
Using data to improve operational processes and boost decision-making quality may not be the most glamorous path to monetizing data, but it is the most immediate. Executives often underestimatethe financial returns that can be generated by using data to create operational efficiencies. Companies see positive results when they put data and analytics in the hands of employees who are positioned to make decisions, such as those who interact with customers, oversee product development, or run production processes. With data-based insights and clear decision rules, people can deliver more meaningful services, better assess and address customer demands, and optimize production.

When Satya Nadella became CEO of Microsoft Corp. in February 2014, he urged employees to find ways to improve the company’s processes with data. Within sales, executives believed that, with the right tools and systems, they could improve the productivity of their salespeople by 30%. To do so, Microsoft’s sales leaders sought to deploy tools that would help salespeople spend more of their time engaging with customers — and in more effective ways — by arming them with key computed insights, such as how likely a sale is to close and when.

To deliver actionable insights, sales executives first had to define shared concepts (for example, what is meant by “a lead”). They then needed to locate data sources that could be used to calculate performance. They quickly learned that sales data was located in too many different systems to easily create a comprehensive snapshot of a salesperson’s business. Within a year, they created a...
new, integrated customer system that could produce 360-degree views of Microsoft’s relationships with corporate customers, including what those customers bought, what issues they encountered, and how the company engaged with them.

The new system saved 10 to 15 minutes per sales opportunity by eliminating the need for Microsoft salespeople to manually search for and prepare data. The system also helped sales executives more accurately manage their pipelines; it used predictive analytics and machine learning to compute the likelihood of a successful sales engagement based on data that the salesperson provided about an opportunity. For example, buying and deploying enterprise software is complex and often requires a partner’s involvement, so the system may calculate a higher likelihood of success when customers already have partners involved. Information about an opportunity’s likelihood of success, along with suggestions on how to advance engagements along the sales pipeline, helped salespeople prioritize their leads and act in ways most likely to achieve their goals. Over time, Microsoft salespeople learned how to forecast more accurately (for example, the accuracy of forecasts regarding global accounts has risen from 55% to 70%), which has led to better sales-pipeline data and, in turn, improved pipeline management.

Wrapping Information Around Products

Most companies have opportunities — often quite significant ones — to enrich their products, services, and customer experiences using data and analytics, a phenomenon that we call “wrapping.” Companies are wrapping their offerings with data to escape commoditization and satisfy increasingly hard-to-please customers — with the goals of generating sales increases, higher prices, and deeper customer loyalty. FedEx Corp. was an early exemplar of wrapping when it introduced online package tracking as a free service in the 1990s. Now examples abound as companies bundle reporting, alerts, and other information to add value to products ranging from credit cards to health monitors.

Wrapping is a creative exercise in which companies identify what problems their customers have and then find ways to solve those problems using data and analytics. For example, Capital One Financial Corp., a diversified bank based in McLean, Virginia, learned that many of its credit card holders are concerned about fraudulent transactions but find the task of examining every charge to be tedious. So the company helps customers identify fraud more easily and quickly by displaying merchant logos and maps with each transaction in online statements. The visual cues jog cardholders’ memories about whether they made a purchase or not. As a result, customers are more satisfied with the credit card and more likely to use it more often.

Johnson & Johnson has discovered the value of providing pattern identification to users of its health-monitoring products, including those for diabetics. The company offers its OneTouch Verio Sync Meter customers historical reporting on their blood glucose levels, along with tools to help them understand patterns of changes. The reporting is intended to help customers identify the possible causes for the glucose level variations and thus identify behavioral changes that can result in healthier living.

Wrapping activities are best viewed as extensions of a company’s product management processes. This means offering data and analytics to customers at the same level of quality as the core product. Doing so requires comparable levels of scrutiny and control. Most companies don’t manage and cannot deliver data and analytics in this way. In fact, exposing data to customers could reveal quality problems and a lack of analytical sophistication. Thus, in most cases, wrapping requires companies to “up their game” in their information capabilities so that wrapping doesn’t damage their reputation or undermine their value proposition. This effort may entail heavy investment in data-quality programs, advanced computing platforms (for instance, Hadoop), or data-science talent.

Selling Data

Many executives are eager to sell their company’s data, convinced that it has inherent value and can generate important new revenues for the company. We caution that selling represents the hardest way to monetize data, mainly because it requires a unique business model that most companies are not set up to execute. Yet it can be done to potentially great effect under the right circumstances.

State Street Corp. is a Boston, Massachusetts–based financial services
company that reported $10.4 billion in 2015 revenue. It provides products and services to institutional investors such as mutual funds, corporate and public retirement plans, and insurance companies. In 2013, State Street announced a new information-business division called State Street Global Exchange that would combine existing State Street data and analytics capabilities with new research to develop information-based solutions that clients would be willing to buy independently of the company’s core services. State Street established a new division for the information business in recognition of its unique business model needs — something the company had not done in 30 years.

Even though it started out as a discrete unit, State Street Global Exchange focused on developing products that were tightly associated with State Street’s core business. For example, State Street is one of the largest administrators of private equity assets, which means that it collects data about the financial capital that is not noted on a public exchange; this kind of data is of great value to markets that require an accurate representation of the private equity industry. State Street Global Exchange appreciated that the data was not automatically monetizable. Executives secured permission from 3,000 private equity clients to aggregate and anonymize that data — and then created an index that conveyed the financial performance of the private equity industry.

State Street leaders realized that they would need an entirely new operating model to support the information business. For one, sales processes had to change because, although State Street Global Exchange often sold to State Street clients, a buyer of Global Exchange products was frequently a different person or cost center than the kind of buyer traditional State Street products attract. In addition, the information business required salespeople with different selling experience and skills in selling stand-alone data and analytics-based products.

State Street understood that establishing an information business is hard and takes time. State Street Global Exchange had to learn to achieve balance between maintaining key ties with State Street (to create benefits from being a part of the larger organization) and responding quickly to new markets and new needs. Executives believe that State Street Global Exchange is gaining significant traction with its clients — and that their commitment will pay off. But we caution that such a model is not easy to replicate. Other companies should think carefully about the operational capabilities, investment, and commitment required to successfully sell data.

The Importance of Accountability

Chances are you have two major obstacles to monetizing your data. The first is the accessibility and quality of your data. Our research has found that only about a quarter of companies offer employees and customers easy access to the data they most need. You can’t monetize data no one can use.

Data monetization through process improvement requires strong process leaders. These leaders systematically use data to analyze the outcomes of existing processes and test hypotheses about proposed improvements. At Microsoft, for example, sales managers designated specific people to reshape and institutionalize new ways of selling. Process leaders are ultimately responsible for the design of best practices, the capture of the right data, the availability of tools, and the training of all staff regarding how to use data to do their jobs.

Data monetization through wrapping requires strong product leaders. These leaders treat the data that accompanies a core product or service much like any other product innovation — they hold it to the same quality standards. At Capital One, product leaders know the value of adding a data or analytics feature to a credit card because they predict — and then track — the lift in revenue from the information as well as the cost of...
providing it. Product leaders assemble teams to design experiments and methodologies that help analyze the impacts of information features and make appropriate adjustments.

Monetizing data by selling it requires a strong business-unit leader. That leader, in turn, must assemble a team that can launch and grow what is for most companies a new line of business. The head of that business will start by ensuring the value of the data and related services to potential customers. But the business head and his or her team must also design data, analytics, and dashboards to monitor the business and enable a rapid response to new business opportunities.

Each of the data-monetization strategies requires new processes, skills, and cultures to generate maximum returns. Companies with data-monetization experience have learned that it is insufficient to simply put data and tools into the hands of employees. Microsoft refined goals, cleaned up data, honed reports and algorithms, grew talent, and changed habits. Capital One and Johnson & Johnson reshaped product-management talent, platforms, and capabilities. State Street redesigned its organization and created a new profit formula that would generate stand-alone revenues from information.

Impressive results from data monetization do not transpire from single “aha” moments. Instead, they stem from a clear data-monetization strategy, combined with investment and commitment.

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