



# Taking a Methodical Approach to Data Commercialization

WHITE PAPER

## Abstract



For most organizations, driving value from data is no longer an option but a necessity. Data aggregators and consortiums are increasingly utilizing data for internal consumption and for driving additional revenue through commercialization. Not all organizations, however, are successful in commercializing data. Too often, the data used for commercialization is unregulated. This impacts data quality, making data unfit for commercial consumption, hampering compliance and data security. As artificial intelligence (AI), Big Data, the internet of things (IOT) and cloud redefine enterprise operations, the urgent mandate for organizations is to have a strategy around data commercialization. This paper focuses on how organizations can take a methodical approach to data pricing and include data as an asset on their balance sheets.

# Roadblocks holding back data commercialization

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As supply of data continues to grow, organizations are increasingly looking for ways and means to commercialize data. According to Forrester, 47% of organizations are already sharing or selling their data for revenue<sup>1</sup>. However, data commercialization is not easy since the data markets are unregulated and there are technical challenges related to data discovery, data quality, data security, sourcing and accountability.

Though companies can leverage technologies to address these challenges, it is the non-technical and subjective challenges that hamper commercialization initiatives. For instance, companies looking to sell their data should identify commercially viable offerings with credible companies involved in the data trade. Organizations looking to commercialize their data assets should ensure ethical use of data before the data is ready to be traded. Who is buying the data and for what purpose? Is the data being used for public good, commercial use or for unknown reasons? Is the usage transparent to the data principal or organization that is selling the data?

Trust issues are another big consideration – currency and credibility of the buyer and seller in the market, the companies involved in the data trade and whether they have been associated with any fraudulent transactions or activities in the past. Compliance with data privacy laws and other data-related regulations as per local jurisdiction and the implications of these regulations on the commercializing entity is another area to be investigated. Legalities around sharing data and the liabilities associated with breach are also areas of focus for companies willing to participate in the data business. Data shared with external partners and companies can contain classified information, increasing the risk of data breach. 49% of US companies have experienced data breaches in 2020.<sup>2</sup> These are essential pre-requisites that companies need to address for building successful commercialization and pricing strategies.

For organizations investing in data commercialization, it is crucial to establish an accepted methodology for safeguarding data, assessing the value of datasets, ensuring right data pricing and valuation. This would not only improve the transaction experience for all stakeholders, but could also help build a reliable market for data.

In addition, before implementing the commercialization strategy the entry barriers to data commercialization need be scaled with complete transparency and control.

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[1] Forrester, *Data Commercialization Isn't Easy — And Many Initiatives Will Fail*, November 6, 2018, <https://go.forrester.com/blogs/data-commercialization-isnt-easy-and-many-initiatives-will-fail/>, accessed on January 12, 2021

[2] <https://www.comparitech.com/blog/vpn-privacy/data-breach-statistics-facts/>

# Building a data pricing model for successful commercialization

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The first step in pricing data requires classifying it into a data product. This would mean collecting meta data information about the dataset such as small description of data, data source, associated use cases, age of data, veracity, quality and the associated terms and conditions for use. This helps prepare data for valuation and subsequent commercialization through quantitative and qualitative pricing models.

## Taking a quantitative pricing approach to determine base price

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Quantitative pricing helps define a base price for the dataset. The selling price can then be determined by adding a markup to this base price. For instance, the data provider (seller) can set a base price based on the cost of acquisition of the dataset or the cost related to data capture and persistence. The pricing can be defined by the marginal cost of generating data, collecting data, data storage, bandwidth and on-going IT costs. In addition, mark-ups and the final price may vary based on the type of data such as raw data, filtered or aggregated data based on area, location and specific demographic groups and the cost of acquisition of the related data.

## Leveraging qualitative pricing to improve final price

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Qualitative pricing or value-based pricing involves determining the price based on the inherent value of the data to the consumers (see Figure 1). With value-based pricing, data providers attempt to arrive at the maximum a customer is willing to pay for their data products. This will help determine the price based on perceived value of the data product derived by the consumer in terms of time, effort and money. In addition, companies can also consider other factors such as return on investment (ROI), risk exposure, exclusivity,

level of ownership, competitor prices and the context of usage to decide the price. However, the final price will be determined by the market. Since the price is based on the perceived value associated with the data set for the consumer, it can potentially result in different pricing strategies for the same data sets for different target consumers and context. For instance, a data set on retail consumer behavior will have a higher price for packaged goods or travel companies but will be priced lower for pharma or healthcare providers.



Figure 1: The key levers of qualitative pricing for improving final price of data

# Leveraging a successful data pricing model to strengthen customer experience

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There is no one-size-fits-all approach for data pricing. With the global data monetization market expected to grow at a CAGR of 17.8% during 2020-2026<sup>3</sup>, it is imperative that companies analyze data context, market value, historical demand and competitor pricing to arrive at a successful data pricing model. This will help CIOs and chief data officers gain close understanding of customers, deliver highly targeted messaging and strengthen partnerships. The upshot: reduced revenue leaks, increased customer retention and improved decisions making for creating new value streams.

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[3] Global Newswire, Global data monetization market is expected to grow with a CAGR of 17.8% over the forecast period from 2020-2026, June 25, 2020, <https://www.globenewswire.com/news-release/2020/06/25/2053786/0/en/Global-data-monetization-market-is-expected-to-grow-with-a-CAGR-of-17-8-over-the-forecast-period-from-2020-2026.html>, accessed on January 12, 2021

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