



Institute for  
High Performance

Strategy | Digital | Technology | Operations

# Six Steps to Starting a Corporate Information Business

By Jeanne G. Harris and Allan E. Alter

A close-up of a human hand with the index finger extended, pointing towards the right. In the background, there is a glowing white target graphic consisting of three concentric rectangles with a central circle.

High performance. Delivered.

# More companies are turning their valuable data into services. But getting started presents tough challenges. Here are six lessons we learned by speaking with some pioneers.

By Jeanne G. Harris and Allan E. Alter

Companies can do a lot with the data they collect. They can use it to make better decisions, target customers with precision, become more efficient.

But can they make money by selling it to other companies?

Increasingly, executives in retail, financial services, chemical, social networking and other industries are seeking to do so, driven by the potential market for data and analytics-based insights in the big data era.<sup>1</sup> Others seek to offset maturing businesses or expensive IT investments with new revenues. The telecom industry, caught between expensive network upgrades, competition from free voice and text services, and slowing revenue growth from data traffic, has been eager to find new ways to monetize data.<sup>2</sup>

But selling data is not a simple proposition. We spoke with 25 senior executives who make decisions about where, when and how to sell company data—a process sometimes called “external data monetization.”<sup>3</sup> Most see the possible upside, as 20 said their company possesses data with significant revenue-generating potential, and 10 are already generating revenue by selling data and insights.

For example, Canada Post, like other postal services, is seeking new revenues as income from postage declines. With the help of its Innovapost IT services unit, Canada Post sells some 20 data products that mix address and delivery information with other data. Retailers, non-profit organizations and others use the data to target potential customers.<sup>4</sup> Healthagen, an Aetna company, offers health and technology services to providers, payers, employers and consumers and develops new businesses through its business incubation process.<sup>5</sup>

However, executives pondering similar opportunities shouldn't be misled by those examples. This is new territory for most companies, and it comes with plenty of challenges. The executives we interviewed still have many questions about launching an information and insights business. Most see its potential, but few know how to assess how great it is. They are divided over whether such a business represents a true growth opportunity or is just a chance to earn some extra revenue on the side. Less than a third said their company knows how to assess whether its proprietary data has significant revenue potential, or how to price it. Many are wrestling with the question of value: what information do they need to keep private for strategic or operational purposes, and what they can profitably sell without surrendering key advantages? And, since a good deal of data is customer data, there is plenty of concern regarding privacy rights and legal challenges.

In this environment of early promise and ongoing confusion, how should a company's “information entrepreneur” move forward? Through extensive secondary research and conversation with Accenture experts, in addition to our executive interviews, we identified six recommendations for getting started. We have agreed to quote several executives anonymously.

## Step 1

### Treat the information business as a digital business start-up.



Information entrepreneurs have to understand that selling data can't just be a sideline, or casually undertaken. Starting an information business is block-and-tackle corporate development work. Executives have to identify unmet needs and potential customers, calculate whether the opportunity justifies the effort, choose how to price and charge for the product, and decide how to operate and grow the business. They also need to find financial support—the internal equivalents of angel investors and venture capitalists.

But since information businesses are pure digital businesses, companies can launch one in the speedy, experimental, low-fixed-cost way that Silicon Valley digital businesses get started. Corporate entrepreneurs should focus on data and information services that can be created in a few months, not a year or two. And they shouldn't seek pre-launch perfection. Instead, it's better to start with a limited service, see if it's viable, and then experiment to identify valuable new features and improve its performance.

As one executive told us, "Building a product and then pitching it to folks after it's already been hardwired makes it very difficult to correct the course, and to understand whether or not you've got the right business models and to fit the format to the insights in a way that really hits the mark with your clients." While Google Inc., Facebook Inc. and Yahoo! Inc. have built large cloud data centers, most Silicon Valley startups avoid expensive infrastructure investments. For many information entrepreneurs, using scalable cloud services will be a low-cost, low-commitment way to launch their new information business, especially if their existing IT infrastructure is not flexible enough to support rapid experimentation and growth.

## Step 2

### Don't think of selling data as an all-or-nothing proposition.



Several executives we spoke with said their company has chosen not to go into the business of selling data because it was more valuable as a means to improve operations. That may be too binary a way to view these alternatives. A company may decide to keep some information close to the vest, share other insights freely with partners, and sell another slice to willing buyers. An oil and gas executive we spoke with takes a flexible approach: his company may keep, sell or swap seismic data with other energy firms. The company factors in whether the would-be buyer has data to swap, and whether it still needs the data as a proprietary advantage in the search for more oil or gas.

An executive at a financial services company said her firm takes a chunkable view of its information. While her firm would never make its entire data set available, it would analyze it in chunks and make that analysis available provided it did not put the company at a competitive disadvantage. Ultimately, whether to sell information is a value maximization question, executives told us.

## Step 3

### Find a big-enough sweet spot.



Some companies may be content with incremental revenue increases from a new information business. But many won't want to take the trouble unless they feel it can scale.

Redbox, the movie and game rental subsidiary of Outerwall Inc., is an example of the latter. Through its nearly 36,000 bright red kiosks near supermarket and pharmacy entrances across the US, Redbox has collected a lot of data—including 49 million email addresses. According to Mark Achler, the former senior vice president of innovation, new business and strategy, "We can use data to incrementally improve and fine-tune our entertainment business. And we know we can create whole new businesses for that data." But he also noted that Redbox passes on opportunities to use information to create new businesses unless they are "ROI positive, meet a threshold of \$100 million or more, and fit with the company's long-term mission of being the place where America goes for entertainment."

A common theme from our conversations is that successful information entrepreneurs develop ideas for new, previously unavailable services. "It's got to be differentiated so it's not replicable by others and it's got to have a real, specific need that a customer is willing to pay for," says Rachel Winokur, the head of business development at Healthagen, an Aetna company that offers health and technology services to health care providers, payers, employers and consumers.

Where to look for ideas? Find chronic industry problems that can be solved by bringing new data sets, then ask how much solving the problem is worth. Identify market segments where there is already significant spending on analytics, or where clients can greatly reduce costs. Executives in these segments are likely to be hungry for data and insights that can enable them to achieve their goals. Have employees who are closest to customers test ideas and solutions with existing clients. That may be sales people, or it could be data architects when the buyer is a CIO or CTO.

## Step 4

### Scout the road to long-term growth.



Information entrepreneurs are likely to focus for the first few years on selling to a subset of their company's existing customers. Starting with a relatively small niche business provides information business leaders with the opportunity to prove concepts, build internal credibility, and make mistakes at a relatively low cost. For example, The NASDAQ OMX Group Inc.'s "Data on Demand" service sells its historical stock trading data to traders and publishers of financial information, and banks sell raw data about debit and credit card shopping habits.<sup>6</sup>

But there may be other, larger opportunities in adjacent markets and with new customers. In particular, look for opportunities to provide new services that offer greater value to customers than your initial wave of services. The greater the value, the more likely the product will be distinct from what competitors offer, and the higher the margin. This can include data that is processed for more convenient use, analytical insights through predictive analytics and data mining, applications that improve decision making or present insights in an easy-to-understand way, and APIs for companies to integrate the data into their own applications. Monsanto

Company's new Field Scripts service, which it will begin to sell to farmers this year, is an example of a service that goes beyond providing raw data. This information service combines soil and crop data from the farmers' equipment with its own data about its seeds to enable farmers to plant the right amount of seed and the right hybrids for optimal yield.<sup>7</sup> And Tesco PLC moved far from its traditional customer base when it acquired Dunnhumby Ltd., a subsidiary which analyses the shopping behavior of 400 million consumers and consumer product sales performance.<sup>8</sup>

Of course, it's also important to know how to scout for opportunities and launch businesses. Healthagen is aided by a high speed business development methodology it calls "Slingshot" to evaluate new business ideas, be it an information service or another kind of venture, and how the new services will be built. "We have a team of people that do customer and internal diligence, including strategists, business designers, IT planners and financial experts," says Winokur.<sup>9</sup>



## Step 5

### Manage the information business as a value chain.



Information businesses rely on the network effect to ramp up. As more people or businesses provide data, the richer the data set becomes. The richer the data set, the more valuable it becomes. But when getting started, it's also useful to think of an information business as a value chain. Executives must manage "manufacturing" (the IT work of generating internal data, processing it, and converting it into insights), sourcing (obtaining data from partners and other external sources to enrich their company's proprietary data), quality control (accuracy, consistency, timeliness and security) and logistics (delivery).

Take sourcing: Canada Post works with 10 or so data providers, combining its own internal data and data from these partners to create completely new data sets that don't exist in the market, according to Robert Leighton, senior vice president of IT strategy and governance at its Innovapost unit. "Really, the only way to get a rich view of the customer or an address or audience is to partner."

An information business value chain also includes product development and design, marketing, sales, human resources (recruiting and managing analytical and technical talent) and legal (securing rights to use customer data).

Successful information business leaders consider how they will keep these processes running, and scalable and robust enough to maintain customer trust and the good reputation of its brand. When choosing opportunities, Canada Post considers whether the data is readily available, accurate and scalable, as well as whether it has infrastructure to service it and the sales people to sell it. And Canada Post invests in the right human resources to run the business. For example, it has assigned a full time relationship manager to work with its data partners and legal counsel who is committed to helping as an enabler rather than only as a protector.

## Step 6

### Keep trust with those whose data is used in the product.



No business can be sustained if it fails to earn the trust of its customers. But information businesses are especially dependent on maintaining a reputation as a trustworthy, non-invasive and useful steward of information. Many consumers are reluctant to share that information. A 2014 consumer confidence survey by TRUSTEe, a data privacy management firm, found only 55 percent of Internet users in the U.S. are willing to trust most businesses with their personal data, while its 2013 survey of American consumers on data privacy found 62 are inclined to do more business with a company that allows them to opt out of online behavioral advertising.<sup>10</sup> Many consumers are going out of their way to evade advertisers. A recent Pew Internet report found 28 percent of US adults have used the Internet in ways to evade advertisers. The percentage is even higher among Internet users aged 18 to 29, at 34 percent.<sup>11</sup>

Rewarding consumers is important to provide incentives, maintaining security is vital to avoid creating disincentives.<sup>12</sup> But in the long run, information businesses also must honor the implicit understanding between information provider and information business. Innovapost hired a chief privacy officer to make sure the company's monetization efforts do not violate that trust, Leighton says. As an executive at another company told us, companies need "to stay in the spirit of the relationship that we have with our consumer base. My advice is to absolutely understand the conditions under which you have the information. When you create your data product from that information, do it in a way that honors the relationship that you have with the people from whom you've derived the data that you're using."

A new information business can be a tough sell to other executives. It can look like a side business—not worthy of any attention. Data may be less valuable than initially thought. And information entrepreneurs and their bosses always worry about protecting the data they sell and whether it could be used against them by a competitor. But with these six steps in mind, information businesses can become meaningful, manageable business opportunities. And given the hunger for information and information services in the era of analytics and big data, information businesses deserves a place in a company's new business development portfolio.

## For Further Reading

Accenture Interactive, "What's Your Data Worth?" Accenture.com, October, 2013, <http://www.accenture.com/us-en/Pages/insight-whats-data-worth-summary.aspx>

Astrid Bohé, Montgomery Hong, Craig Macdonald and Nigel Paice, "Data Monetization in the Age of Big Data," Accenture, August 2013. <http://www.accenture.com/us-en/Pages/insight-data-monetization-big-data-mobile-operators-summary.aspx>

Jeanne G. Harris, Allan E. Alter and Christian J. Kelly, "How to Run IT at the Speed of Silicon Valley," Wall Street Journal CIO Journal, May 14, 2013. <http://www.accenture.com/us-en/Pages/insight-how-run-it-speed-silicon-valley.aspx>

Narendra Mulani, "Big data, monetization and the future of business", theguardian.com, <http://www.theguardian.com/accenture-partner-zone/big-data-monetization-future-business>

Sumit Banerjee, John D. Bolze, James M. McNamara, Kathleen T. O'Reilly, "How Big Data can Fuel Bigger Growth," Accenture Outlook Journal, October 2011, <http://www.accenture.com/SiteCollectionDocuments/PDF/Accenture-Outlook-How-Big-Data-can-fuel-bigger-growth-Strategy.pdf>

## References

1. Accenture Interactive, "What's Your Data Worth?" Accenture.com, October, 2013; Jacob Bunge, "Big Data Comes to the Farm, Sowing Distrust," the Wall Street Journal, February 25, 2014
2. Pyramid Research, Global Mobile Data Forecast 4Q 2013 (per email from Guillermo Hurtado, Analyst, Pyramid Research, February 26, 2014)
3. Accenture Interactive, *ibid.*
4. Canada Post interviews; Canada Post, Analytic Essentials and Marketing Success Stories – Data & Targeting Solutions websites and Canadian Breast Cancer Foundation success story, [www.canadapost.ca](http://www.canadapost.ca).
5. Aetna Healthagen interviews; Aetna press releases, "Aetna Introduces Healthagen as New Brand for Its Division of Health and Technology Services," [newshub.aetna.com](http://newshub.aetna.com), February 22, 2013; Healthagen Recognized by CIO Magazine as a CIO 100 Award Winner, June 3, 2013.
6. Nasdaq OMX Data on Demand service overview web site.
7. Bunge, *ibid.*
8. [www.dunnhumby.com](http://www.dunnhumby.com)
9. Healthagen Slingshot web page.
10. TRUSTe press releases, "More Consumers Concerned about Business Data Collection than Government Surveillance," January 28, 2014, "Consumers Tell Businesses How to Improve Online Ad Tracking, September 19, 2013.
11. Lee Rainie, Sara Kiesler, Ruogu Kang and Mary Madden, "Anonymity, Privacy and Security Online," Pew Research Internet Project, September 5, 2013.
12. Narendra Mulani, "Big data, monetization and the future of business," TheGuardian.com.

## About the authors

Jeanne G. Harris is the managing director for IT and analytics research at the Accenture Institute for High Performance, and the co-author of *Competing on Analytics* (Harvard Business Review Press, 2007). She is based in Chicago. Her email is [jeanne.g.harris@accenture.com](mailto:jeanne.g.harris@accenture.com).

Allan E. Alter is a senior research fellow with the Accenture Institute for High Performance. He is based in Boston. His email is [allan.e.alter@accenture.com](mailto:allan.e.alter@accenture.com)

## Acknowledgements

The authors wish to thank Haseeb Jawad for his contributions.

## About the Accenture Institute for High Performance

The Accenture Institute for High Performance develops and publishes practical insights into critical management issues and global economic trends. Its worldwide team of researchers connects with Accenture's consulting, technology and outsourcing leaders to demonstrate how organizations become and remain high performers through original, rigorous research and analysis.

## About Accenture

Accenture is a global management consulting, technology services and outsourcing company, with more than 293,000 people serving clients in more than 120 countries. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world's most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. The company generated net revenues of US\$28.6 billion for the fiscal year ended Aug. 31, 2013. Its home page is [www.accenture.com](http://www.accenture.com).