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Data is Everybody's Business: The Fundamentals of Data Monetization

In their new book, an MIT Sloan academic and co-authors found that on average, 82% of data monetization returns come from improving work operations and customer experience versus 18% from selling information

Research shows business leaders need to ensure that value creation using data is an enterprise-wide endeavor

CAMBRIDGE, Mass., October 16, 2023 – For many people, data monetization is a dirty phrase. Business leaders shy away from the term, believing they are safeguarding their organization's reputation. But in today's world, where organizations generate vast amounts of data as a consequence of normal, daily operations, leaders who fail to capitalize on their data assets are making a critical mistake, according to **Barbara H. Wixom**, principal research scientist at the MIT Center for Information Systems Research (**MIT CISR**), and co-author of the newly released, ***Data is Everybody's Business: The Fundamentals of Data Monetization* (MIT Press).** Business leaders, they stress, need to pivot the conversation from whether to monetize to *how* to monetize.

Wixom's research, with co-authors **Cynthia M. Beath**, professor emerita at the McCombs School of Business, University of Texas at Austin, and **Leslie Owens**, former executive director of MIT CISR, has found that in high-performing organizations—in terms of profitability, revenue growth, innovation, and agility—data monetization accounted for 10% more of overall firm revenues than bottom-performers. When organizations create data assets—cohesive sets of data that are ready to be put to work—they can enhance customer experience and worker productivity, cut costs, drive change, innovate with new products and services, and create shareholder value. "At its core, data monetization is about so much more than selling data sets to third parties," says Wixom.

Based on decades of rigorous research, the authors detail three ways to turn data into corporate profits and how to adopt these approaches for one's own organization.

Improving happens when organizations use data assets to make operations run more smoothly, faster and at a reduced cost. An example of this approach is using data to better understand consumer purchases to keep the right products well stocked, along with serving customers in more optimal ways.

Wrapping is when organizations use data to make products and services more appealing, such as digital product recommendations that help consumers identify and buy products or time estimations that keep clients current on when they will arrive at a destination or receive a purchase in the mail.

Selling, the authors say, is not just about selling data; it's also about selling insights that solve problems. A health care company that sells information to hospitals about their spending patterns, for example, helps hospitals buy the right products for their needs at the best price.

Their research found that on average, 51% of data monetization returns come from improving, 31% from wrapping, and 18% from selling. The authors stress that any organization can adopt these methods to turn data into financial returns, and that returns can come in the form of cost savings, more sales, more donations, and/or a budget increase.

For example, the authors found that over the last decade Microsoft has deftly used data to move its business model from product-based to cloud services-based, and its stock price has soared. Financial services company Banco Bilbao Vizcaya Argentaria (BBVA) tapped data to become a digital-first financial services provider, while PepsiCo used data to transform its transactional retailer relationships into collaborative partnerships. "But on average, data monetization abilities of most companies are, in fact, average," notes Wixom.

Companies get better at data monetization by practicing it. "Rather than wait for the right set of capabilities to magically appear," Owens says, "businesses should start engaging in monetization activities. The learning and the returns come from doing, not from talking about doing. For starters, organizations could choose one process or product to improve or a single business challenge to solve with data."

Creating data assets also means creating organizational governance so that the right people use the data in the right ways. Data assets can be monetized only after data is properly cleaned, permissioned with the right security, and made accessible to authorized users. "If you aren't purposely managing and monetizing your data, it won't pay off," says Wixom.

A big problem with data is that everybody is starting from scratch all the time, says Wixom. "There isn't enough attention to accumulating knowledge and skills for the future benefit of the organization. But if you create data assets and establish enterprise capabilities to manage them properly, data can be reused limitlessly for all kinds of value-creating reasons across an organization."

To be most effective, the authors say, leaders must serve as a "guiding light," ensuring that data monetization is embraced across the enterprise —— not just by the data or IT specialists.

"All employees touch data in some capacity. So everyone needs to understand, get excited about, and participate in data monetization," says Wixom. "People running operations, managing products, and solving problems are the ones who know best how data can help." Leaders need to design their organizations to connect data experts and everybody else, training their staff so they feel comfortable regularly using data assets as a part of their day-to-day job.

"When employees believe that data can create value in new ways, that it can do so over and over again, and that everyone in the organization can play a role, they are working in a data democracy," says Beath. "Ultimately, organizations that fail to embrace the notion that everybody, from front-line employees to C-suite leaders, can and should engage in data monetization, will fall further and further behind the competition."

As data continues to balloon, along with the costs of storing and protecting it, "we've come to a point where, if you're not monetizing your data as a source of financial benefit to your firm, you probably will not be a sustainable business over time," says Wixom. "It's that dire. Data can weigh us down, or it can help us to thrive."