



Does your business really treat data as an asset?

While most leaders would say it's important to treat data as an asset, many have yet to audit their key data assets to determine their true value

A few years ago, the data team at US retail giant Walmart noticed something unusual on their proprietary customer search engine: a particular search term was leading to a high bounce rate from their site.

The term was “house”, and it turned out that users weren’t interested in the dollhouses, homewares and dog kennels that the website offered them. Instead, they wanted to watch the hit medical drama starring Hugh Laurie.

“It coincided with the week that particular television show premiered, so what people were looking for was the DVD boxset or the ability to stream previous seasons,” says Douglas Laney, an Innovation Fellow at digital services firm West Monroe and author of the book *Infonomics*.

The discovery led to a change in the way Walmart used data that, though extremely simple, led to significant increase in online sales.

“When they started incorporating concepts and words that were trending on social media into that search engine, they ended up reducing shopping cart abandonment across the board by 10-to-15%,” Laney says. “That’s like, I don’t know, a billion dollars a year of sales that they might have lost?”

This anecdote is one of hundreds that Laney has collected over several years as part of a mission to inspire leaders to be more creative when deriving value streams from data. His latest book, *Data Juice*, is a distilled catalogue of these findings, and contains 101 stories about enterprises “squeezing value” from data.

“The stories are meant to be inspirational, not instructional,” says Laney, who will give a keynote talk at The CIO Institute’s event in Chicago on March 30 and host a boardroom discussion in New York City on May 18. “They’re meant to help stir the creative juices. It’s for business leaders or data leaders wanting to use data in innovative ways to drive measurable value for the business.”

In a field that usually calls for linear thinking, this level of creativity has been sorely lacking for many companies, Laney says. Part of the problem is many of the top level executives who usually drive creative strategies are not data literate. Many CIOs and tech leaders, meanwhile, are too busy with running their departments, building applications and doing upgrades to find the headspace needed for new ideas. So senior IT and data leaders should expose themselves to more stories about creating tangible value streams of data, Laney says.

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Drinking an algorithm

Another memorable story for Laney is about Minute Maid, the orange juice brand owned by Coca Cola. It starts with the company getting a call from a fast food partner, who was concerned that the taste of the orange juice was inconsistent at different times of the year and in different regions.

“So Coke got some flavorologists to determine that an orange has like six 600 flavour components to it,” Laney says. “Then they gathered crop yield data, satellite images of orange groves, multi-level supply chain data, regional preferences, and cost pressures. Then they baked all that into a precise dynamic formula for how to blend orange juice consistently.”

This process helped to retain major buyers for a multi-billion dollar business, while shoring up brand consistency. “I like to remind people when they’re drinking a glass of this orange juice: remember that you’re drinking an algorithm.”

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Outdated accounting rules ‘holding data back’

Creative use cases, though, are not enough on their own. Another major challenge that Laney sees is that most enterprises are not properly measuring the value of their data in the first place. In some cases, this can lead firms to give more and more data to suppliers without realising they could be monetizing it, or asking for other consideration in return, such as better payment terms. Laney says he has seen this happen in the groceries sector. “It’s easy to give something away if you have never measured its value,” he says.

“This is, he says, partly an accounting problem; data is not considered a balance sheet asset, according to accounting principles. This means that while many executives talk about data as an asset, few go any further and actually measure its value. “Any asset that you’re not managing as an actual asset is one that you’re in a very poor position to leverage optimally, to generate value from.”

For IT leaders hoping to encourage a shift towards managing data as an asset, a good place to start is by creating a supplemental balance sheet or ledger that assigns cash cost and revenue values to data. Working with the CFO and the financial team throughout the process will help to give the valuations credibility.

We want to get approval and the blessing of the financial team to tweak the model appropriately.” Laney says. “Some of the factors that go into quantifying data’s value are not readily available, so we have to use proxies for those inputs.”

This process may be difficult, but once complete it offers a foundation to create new value streams with confidence and, hopefully, widespread buy-in. One use of accurately valued assets that Laney thinks is set to become more common is using data as collateral. Startups like Gulp Data help companies to value their data assets so they can raise capital against them without the need to give up equity. This helps solve a common funding problem for many digitally native startups who are rich in data but cash poor. While Laney is keen for data to be treated like tangible assets, he objects to the common refrain that data is the new oil. Data, he argues, has many characteristics that make it superior to oil. It is non depleting and non rivalrous, meaning it does not disappear when you use it and can be used in multiple ways simultaneously.

“And when you do use a drop of oil, it doesn’t create more oil,” he says. “Data is very different economically, and the companies that are taking advantage of those economic properties are the ones that are thriving today.”

Join Douglas Laney at the Global CIO Institute: University of Chicago on Thursday 30 March 2023 where he will be leading the keynote presentation: Monetizing, managing, and measuring information as an asset for competitive advantage. Register here to secure one of the final remaining VIP passes.

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