MONETIZING YOUR DATA TO CREATE NEW REVENUE STREAMS

Companies along the card value chain are struggling to replace revenues lost as new regulatory environment changes, interchange pressure, and consumer choices eliminate traditional revenue sources.

Rather than looking solely to increase transaction volume, organizations should instead focus on leveraging current transaction volume by mining a valuable, underleveraged asset—client/transaction data—to create new revenue streams.

This is accomplished by data monetization—a process of capturing appropriate data sources, storing and managing the data, performing analytics to identify key trends and themes, and presenting the findings to potential customers in a readily accessible format. The value of transaction data can be further enhanced by enriching it with external data such as products purchased, predictive locale, and risk profiles.

Expanding this capability and the tools to exploit it will be a powerful differentiator for corporate as well as consumer-focused cards organizations in the U.S.

Additionally, investments in technology, process, and organization to build these capabilities will pay dividends not just in the ability to deliver and monetize data, but in ancillary benefits including faster time to market, improved organizational communication, better customer service, and ultimately, a better customer experience.

WHO CAN BENEFIT?

Issuing banks, processors, and acquiring institutions can all benefit from data monetization, each in their own way.

For example, effective data monetization enables large credit card acquirers to offer merchants more value-added services such as analytics or report packages. Increasing the timeliness, accessibility, quality, or completeness of data offered (by integrating external data, for example) can set an acquirer apart from competitors and add important additional revenue.

By providing cardholders with breakdowns of their card spend, alerts based on preset limits, or data on what friends who bank with the same institution are buying, card issuers can use data to increase touch points with their customers—improving loyalty and stickiness. Leveraging the Internet and mobile devices further enhances the customer experience by enabling these updates to happen in real time.

CREATING A ROADMAP

Companies that wish to maximize the benefit of their volumes of data must begin by evaluating their institution’s maturity level with respect to data monetization. A comprehensive, enterprise-wide assessment should be performed to determine how completely the organization is monetizing its data—what data is currently being monetized, what the value is of that monetization, and what value has been left on the table.
The assessment should identify not only what data can be accessed, but what data can be used from a regulatory perspective. This can be accomplished through a legal and compliance review.

Successful data monetization requires the ability to fully exploit data across organizational silos. A bank, for example, is likely to have data segmented and owned by different lines of business—commercial, consumer, retail banking, or mortgage. These data barriers must be removed to ensure that access is available to all data that exists in the company.

Companies must also improve and speed access to their data. Having thousands of individual data stores around the company, worldwide, is not only an extremely inefficient way to store data, it also makes it difficult to access the data for monetization purposes.

Initiating a data monetization effort is an opportune time to brainstorm and identify new target customers for marketing/selling data and related services as well as expanding the usages for data currently being sold to customers. Getting an external perspective is especially important. A benchmark of other institutions and the type of data monetization they are doing can provide valuable insight and new ideas.

Finally, a business case or a cost/benefit analysis of the desired changes should be developed. This should include what those changes will deliver from a revenue perspective and what they will cost to implement.

**INSTITUTIONAL CHALLENGES/CONSIDERATIONS**

While the revenue potential of data monetization can be significant, there are some important considerations and potential roadblocks to note—organizational resistance, overly conservative interpretations of regulatory requirements, an inflexible organizational structure, and an out-of-date go-to-market strategy or product delivery infrastructure, for example.

It is also essential to compare anticipated revenue gains with the cost to bring that revenue through the door, and adjust expectations and scope accordingly. While some organizations will be able to justify and support a wholesale infrastructure upgrade (if required) to achieve their data monetization goals, others will not. In most instances, however, there are ways to incrementally improve on data monetization without extraordinary cost.

**CONCLUSION**

Industry drivers and customer demands require agility and value delivery to effectively compete. With numerous factors pressuring the industry today and reducing traditional streams of revenue, credit card and payments organizations need to think out of the box to explore additional capabilities that drive growth and revenue. There are many opportunities for revenue gains to be realized by capturing, storing, analyzing, and driving value from the vast quantities of customer data that is available to most card-related businesses. Over the next few years, companies with significant data volume will increasingly look to monetize their data intelligence to restore lost revenue as well as to create and expand new revenue sources and opportunities for their institutions and customers.