

EDM Webinar

Data Economics with YDC and Northwest Bank: Quantifying the Financial Value of All Things Data

A conversation with



Sunil Soares

CEO
YDC



Michael Cappetta

CDO
Northwest Bank



Moderated by **Mike Meriton**

Co-Founder & COO, EDM Council

- Joined EDM Council full-time 2015 to lead Industry Engagement
- EDM Council Co-Founder & First Chairman (2005-2007)
- EDM Council Finance Board Chair (2007-2015)
- Former CEO GoldenSource (2002-2015)
- Former Executive for D&B Software and Oracle
- FinTech Innovation Lab – Executive Mentor (2011 – Present)



Today's panel

Moderator



Mike Meriton
Co-Founder & COO
EDM Council



Sunil Soares
Founder & CEO
YDC



Michael Cappetta
Chief Data Officer
Northwest Bank



Founder Biography



Sunil Soares
CEO, Founder

- Founder of Information Asset, Data Management Solutions
- CEO of YDC, Data Economics
- Advisory Board Member, Data ROI at EDM Council
- Co-Chair, Data Office ROI Workstream at EDM Council
- Author of nine books on Data Management
- Deep software experience at IBM
- MBA from University of Chicago Booth School of Business
- Experience at PWC, Booz & Company

Delivered EDMC Data Office ROI Standard as Basis for YDC Platform:

Enterprise Data Management Council has 25,000 Worldwide Members including Fortune 100

7. Implement Value Realization

- 7.1 Establish Value Realization Office
- 7.2 Align Soft & Hard Dollar Benefits

6. Manage Data Initiatives

- 6.1 Create Inventory
- 6.2 Map to Data Products
- 6.3 Map to Enterprise System Initiatives
- 6.4 Implement Data Governance
- 6.5 Align & Periodically Measure Against Data & Analytics Capability / Maturity Models (DCAM/CDMC)

5. Leverage Indirect Approaches to Data Office ROI

- 5.1 Generate Data Office Impact Scorecard
- 5.2 Allocate Revenues or Earnings to Data Office
- 5.3 Build Data Portfolio ROI
- 5.4 Develop Data Office KPIs

1. Organize for Success

- 1.1 Make CDO Accountable for Data ROI
- 1.2 Develop Optimal CDO Reporting Relationship
- 1.3 Establish Product Teams
- 1.4 Configure Centralized vs. Federated Models
- 1.5 Build Financial Literacy
- 1.6 Formulate Change Management
- 1.7 Implement Industry Data & Analytics Capability / Maturity Frameworks (DCAM/CDMC)

2. Align with Business Problems

- 2.1 Build Stakeholder Map
- 2.2 Prioritize Business Problems
- 2.3 Identify Regulations

3. Inventory Data Products

- 3.1 Develop Data Product Hierarchy
- 3.2 Map Financial Value

4. Use Direct Approaches to Data Office ROI

- 4.1 Select Methodology
- 4.2 Use Comparables
- 4.3 Develop Business Cases
 - 4.3.1 Grow Revenues
 - 4.3.2 Reduce Costs
 - 4.3.3 Improve Cash Flows
 - 4.3.4 Mitigate Risks
- 4.4 Use Probabilistic Approaches
- 4.5 Apply Adjustments including for Data Quality



POLL #1

How do you compute Data ROI for your key data projects?

- Rigorous computation [business case, FPA team, tracking]
- Evaluating impact of project
- Reviewed by independent party
- Sentiment, e.g., Surveys, Data Confidence Index
- Measuring some components
- We currently don't compute Data ROI

Enlightened Chief Data Officers Have the Opportunity to Grow Market Capitalization Based on the Hidden Value of Data

**\$600
Billion**

**Hidden Value of Data
at Approx. 2%
of S&P 500
Market Cap**



United Airlines Value of Customer Data \$4.3 Billion - \$8.6 Billion

- Several airlines pledged their loyalty programs as collateral to raise cash during the COVID-19 shutdowns in 2020
- For example, United Airlines raised \$5 billion by pledging its MileagePlus loyalty program at an implied valuation of \$21.6 billion
- Industry insiders estimate that customer data is worth 20-40 percent of the value of an airline loyalty program
- This pegs the value of United's customer data in the range of \$4.3 billion to \$8.6 billion
- The value of United's customer data was actually higher than the enterprise value of United at the height of COVID-19 in March 2020
- Also noteworthy is that the value of United's data did not decline as much as the enterprise value of United during COVID-19

Data Economics has Internal & External Stakeholders Starting with Chief Data Officer



Chief Data Officers:

- Average tenure of CDO is 2.4 years
- EDM Council with 750+ members voted Data ROI as top concern in late 2021



Investors:

- Intangibles make up 80% of S&P 500 valuation
- Traditional definitions of Intangibles include Goodwill and IP BUT DO NOT include Data
- DataCo concept at FedEx, Walmart and Kroger to separate the value of data within wholly owned subsidiary



Climate Actors:

- Liv Watson, Co-Founder of XBRL & Capitals Coalition: “Climate authorities increasingly concerned about cost of accurate and available data e.g., EU Corporate Sustainability Reporting Directive”



Governments:

- Saudi Data & AI Authority established to harness the value of data for 200+ government companies
- UK National Highways found that value of data was worth in excess of £60 billion, or half the value of tangible assets



Regulators:

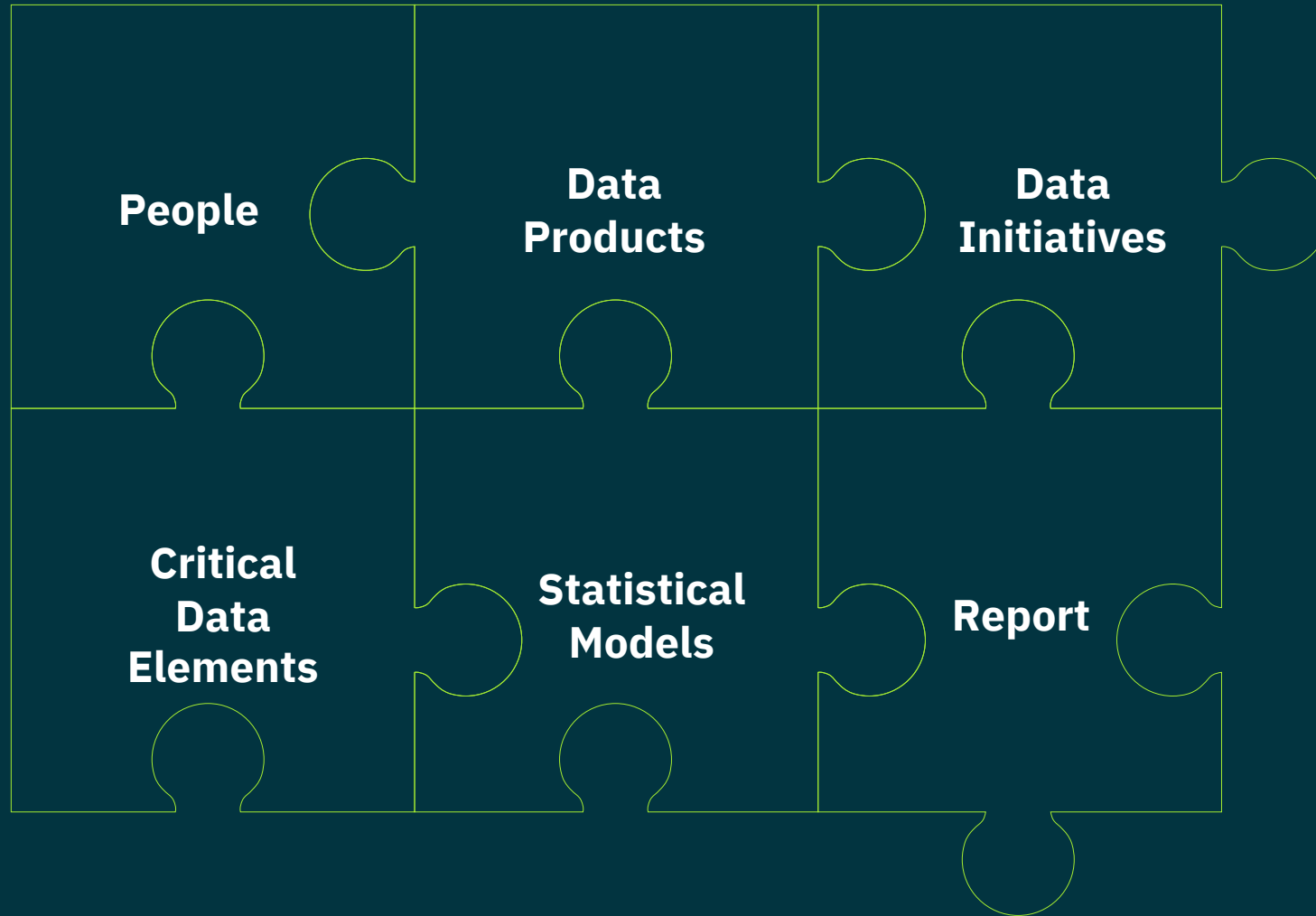
- Saudi National Data Management Office has specific specifications around Data Value Realization



Technology Vendors:

- Chief Revenue Officer at SaaS Company: “Are customers want to understand the ROI on their eight-figure investments in our platform”
- Field CDO at Software Company: “Would love to showcase pre-packaged use cases by industry”

Valuing All Things Data



Data ROI Use Case for Vendor Master Data: Cross-Industry



Driver Name	Driver Description	Driver Value
A	Number of vendor records	15,000
B	Estimated number of vendor duplicates from MDM	3,000
C	Estimate percentage of vendor duplicates with inconsistent payment terms (e.g., Net 30, Net 60)	20%
D	Number of vendors with inconsistent payment terms (C x D)	600
E	Increase in float from vendor payables by negotiating more favorable payment terms	100%
F	Average vendor payables float per contract	\$100,000
G	Additional vendor payables float generated by negotiating more favorable payment terms (D x E x F)	\$60,000,000
H	Cost of capital	3%
I	Annual savings in cost of capital by increasing vendor payables float (G x H)	\$1,800,000

Data ROI Use Case: Bank Regulatory Compliance



Driver Name	Driver Description	Driver Value
A	Book Value of the Non-Publicly-Traded Bank	\$35,327,000,000
B	Average Historical Price-to-Book Ratios for Banks	1.24
C	Implied Market Value of Bank (A x B)	\$43,805,480,000
D	Percent Impact of Regulatory Sanction on Market Value	5%
E	Dollar Impact of Regulatory Sanction on Market Value (C x D)	\$2,190,274,000
F	Inherent Risk - Probability of being sanctioned without controls	80%
G	Residual Risk - Probability of being sanctioned with controls	20%
H	Reduction in probability of being sanctioned by regulatory authorities (F - G)	60%
I	Value of Regulatory Compliance (E x H)	\$1,314,164,400
J	Report Certification Contribution to Regulatory Compliance	10%
K	Potential Value of Report Certification Program (I x J)	\$131,416,440
L	Number of Reports	100
M	Potential Value Per Certified Report	\$1,314,164

Data ROI Use Case: Pharma Data Literacy Program



Driver Name	Driver Description	Driver Value
A	Expected increase in revenues associated with predictive models for field reps	\$100,000,000
B	Anticipated operating income ratio factoring in gross margins and overhead expenses such as sales commissions	20%
C	Expected increase in operating income from predictive models for field reps (A x B)	\$20,000,000
D	Price / Earnings multiple used as a proxy for discounted cash flow analysis	15
E	Expected value of field predictive model data product (C x D)	\$300,000,000
F	Adoption rate of predictive models by field reps without training	40%
G	Adoption rate of predictive models by field reps with training	50%
H	Value of data literacy program [E x (G - F)]	\$30,000,000
I	Cost of data literacy program including glossary and training	\$10,000,000
J	ROI of data literacy program [(H - I) / I]	200%

POLL #2

Is your organization considering valuing its data as an asset?

- Not initiated
- Conceptual: On our roadmap
- Developmental: Initial progress is underway
- Defined: Approach is established and verified
- Achieved: Performing and evaluating compliance
- Enhanced: Fully integrated into how we operate

DataCo Considerations: CDOs Need Broad Skills



Maturity Model & Roadmap



Business Objectives



Data Products/
Data Strategy



Organizational
Alignments



Competitive
Landscape



Data Rights



Management Roles
& Responsibilities



Ownership, Legal
Construct, Tax



Data Risk &
Compliance



Staffing/
Talent

DataCo Considerations

	Airlines	<ul style="list-style-type: none">American Airlines – AAdvantageDelta Air Lines – SkyMilesUnited Airlines - MileagePlus
	Sports	<ul style="list-style-type: none">U.K. Football Leagues – Football DataCoProfessional Cycling – Velon
	Insurance	<ul style="list-style-type: none">Allstate – Arity
	Retail	<ul style="list-style-type: none">Kroger – 84.51
	Logistics	<ul style="list-style-type: none">FedEx – Dataworks
	Industrial	<ul style="list-style-type: none">General Electric – GE Digital

Government

- Bureau of Economic Analysis
- Bureau of Justice Statistics
- Bureau of Labor Statistics
- Bureau of Transportation Statistics
- Census Bureau
- Economic Research Service
- Energy Information Administration
- National Agricultural Statistics Service
- National Center for Education Statistics
- National Center for Health Statistics
- National Center for Science and Engineering Statistics
- Office of Research, Evaluation, and Statistics
- Statistics of Income Division



Does the Approach Vary Based on Data Maturity?

Early-Stage Data Management Programs

- Approach Data ROI Playbook as a roadmap of steps to be followed in somewhat linear order
- Because every organization is different, this playbook needs to be tweaked to suit the unique needs of each team

Mature Data Management Programs

- Mature organizations may already have several key elements of data ROI already in place
- In such cases, organizations should review the playbook, case studies, and business cases as best practices that may be applied to move them along in their data ROI maturity
- CDOs can use this playbook to secure additional funding for their data programs and to drive further adoption within the business

POLL #3

Is your organization considering a DataCo?

- Not initiated
- Considering
- In progress
- Would like to know more

NORTHWEST BANK EDM COUNCIL

April 12, 2023

MIKE CAPPETTA



25+ years Retail and Commercial Banking experience

- Northwest Bank
- US Bank
- Citigroup (5+ years as an Expat)

Roles in strategy, operations, technology, sales, project management

Current role: Chief Data Officer at Northwest Bank

Prior role: Chief Technology Office at Northwest Bank

Degree in Electrical Engineering

PWC and Accenture

NORTHWEST'S JOURNEY TO LEVERAGE DATA AND GENERATE REVENUE LIFT

Data becomes a revenue generator for the firm

Opportunity

Align data team objectives to business growth planning, for example;

- Prospects & Leads
 - Simplest to execute; significant opportunity to iterate and improve
- Next best product
 - Customer life-cycle management
 - Requires data mining, higher cost, fewer iterations possible, significant upside potential
- Triggers
 - Requires integrated infrastructure, high degree of coordination between tech and sales teams
- Efficiency
 - Easy target space to begin
 - Will not add to revenue, but may reduce costs – automate reports, perform transaction analysis, eliminate duplicate work in business and operations

➤ Identify a business which has an incremental revenue target and is simple to execute

Challenges

Executive

- CDO Skillset
- Executive alignment
- Speaking the language of the CFO

Business partners

- Data literacy
- Don't change anything
- Growing skills with new tools

KPI/P&L Statements

- Business agreements to establish a Shadow P&L
- Measure success

Infrastructure

- Data team skillset
- Database on multiple platforms
- No M/L in place
- Lack of standards

➤ Technical limitations will inhibit some near-term objectives with business partners

➤ Will need M/L capability to improve basic capabilities

Execution

To execute and grow revenue consistently

- Build a roadmap and financial plan
- Set aside \$s for experimentation
- Pick an MVP, that aligns with a business revenue target
- Agree on tangible outcomes for the MVP
- Invest in Data team training
- Setup a data governance program
- Begin data democratization within your company
- Pick your technology infrastructure to grow into over time
- Don't stop...continue iterating on the MVP, gain an amazing success before asking for additional investment \$s
- Begin another experiment, aligned to business needs

➤ Identify an MVP within the scope of your businesses to

Questions?



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Data Products

Data Initiatives

Knowledge Base

Assessment

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Intangibles - Value

Tangible Net Worth ↑	Brand	Data	Innovation, Talent, IP, Others	Market Capitalization
\$1,110,489,000	\$229,601,295	\$39,321,152	\$396,588,553	\$1,776,000,000

View Report (Intangibles - Value)

Intangibles - Percentage

Tangible Net Worth ↑	Brand	Data	Innovation, Talent, IP, Others	Market Capitalization
63%	13%	2%	22%	100%

View Report (Intangibles - Percentage)

Data ROI

End of Year
2022 ROE:
8.8%

406%

Data ROI is
calculated by
dividing data value
by cost of initiatives
which are only
illustrative

View Report (Data ROI)

Data Product Value

Sum of Data Val. - Current + Residual Potential

\$43M

\$27M
(63.66%)

\$10M
(23.17%)

Data Products: Data Product Name

Report Automation

Reduce Customer Attrition

Friends and Family

Existing Commercial Customers

Elimination of Spreadsheets

CDP for Existing Retail Customers

Best Prospect Model

5 State Marketplaces

Data Product Value is
shown in a
comprehensive chart

View Report (Data Product Value)

YDC Data Economics Playbook – 40+ Steps including DataCo Based on EDM Council Data ROI

Steps To Get Started

1. [Set up Organization](#)
Document details such as name, market capitalization and financials.
2. [Create Business Objectives](#)
Define overall business objectives.
3. [Define Data Products](#)
Establish hierarchy of data products starting with a subset of 2-3 items.
4. [Value Data Products](#)
Assign financial value to data products.
 - 4a. [Examine Comparables](#)
Leverage YDC Knowledge Base with extensive data points on data set, data set providers, fines, risks, and regulations.
 - 4b. [Use Deterministic Business Cases](#)
Create business cases based on deterministic approaches based on comparables analysis or use cases for cost reduction, revenue enhancement, or risk mitigation.
 - 4c. [Use Probabilistic Approaches](#)
Leverage probabilistic approaches using data science models, which include ranges of possible outcomes.
 - 4d. [Automate Business Case Drivers](#)
Leverage integrations with third party systems to keep inputs evergreen.
 - 4e. [Ingest Financial Metadata into Data Catalog](#)
Ingest financial metadata such as the value or data product into data catalog.
5. [Aggregate Data Valuation](#)
Rollup the value of data from data products.
 - 5a. [Summarize Value of Data](#)
Compute the aggregate value of data.
 - 5b. [Compute YDC DMI Index](#)
Compute the YDC DMI Index to measure the value of data to external customers.



Business Cases

All

50+ items • Sorted by Company • Filtered by All business cases • Updated a few seconds ago

	Business Case Name	Record Type
1	Average Diesel Consumed by Trucks in US	Summary
2	Damage caused by Hazardous Material per Incidence ...	Reduce Risk
3	clone_Data Quality of Utility Electric Poles	Reduce Cost
4	CFPB Compliance	Reduce Risk
5	Climate Disclosures	Reduce Risk
6	Ransomware in Financial Services	Reduce Risk
7	Valuation of OpenBlue Platform	Summary
8	Airline Loyalty Program	Summary
9	Flight Operations Data	Reduce Cost
10	Loyalty Data Valuation	Increase Revenues
11	Advertising Data Value	Increase Revenues
12	Product Analytics Data	Increase Revenues
13	Product Analytics Pot. Val.	Increase Revenues
14	Employee Data Valuation	Increase Revenues
15	Personalization Data Value	Summary
16	Core Pricing Data Value	Summary
17	CEC Scoring & Routing Data Value	Summary
18	Reduction in Data Privacy with Mitigation	Reduce Risk
19	Value of Employee Data	Summary

Data ROI Special Interest Group Deliverables 2023



2Q 2023

- Data Office ROI Playbook V1.1
- DataCo Point of View, wholly-owned subsidiaries with assigned data rights

3Q-4Q 2023

- Potential convergence of Data Office ROI Playbook and Data as an Asset into single consolidated framework
- Data as a National Treasure (Value of Data for Governments and Nonprofits)
- Value of Data for Data Risk
- Working with Accounting Standards Bodies
- Maturity Model for Data ROI (e.g., Defining Data Domains, Defining Data Products, Valuing Data Products, Setting up DataCo)



Learn more and download the
Data ROI Reports

www.edmcouncil.org

Go to Engage > Data ROI

Join the Data ROI SIG

<https://us06web.zoom.us/meeting/register/tZAsc-2qpj0vEtSYhu2yuO9bUhVpTdpRzUzM>



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Thank you!

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