Data ROI
EDMCouncil

CFOs & CDOs: ROI for Data & Generative AI

Wednesday, November 29

A conversation with:

EDMCouncil

Today's panel

Moderator

Mike Meriton
Co-Founder
EDM Council

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President
DFCG International Group

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Chief Data Officer
Northwest Bank

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Chief Financial Officer
FCE Bank PLC

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Founder & CEO
YDC

POLL #1

How do you principally compute Data ROI for your key data projects? (Single-choice)

- 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

Data ROI: Goal, Objectives and Expected Outcomes

Goal

Develop a Data ROI framework / template to support data and analytics organizations

Objectives

Data ROI framework to answer three proposed data use cases:

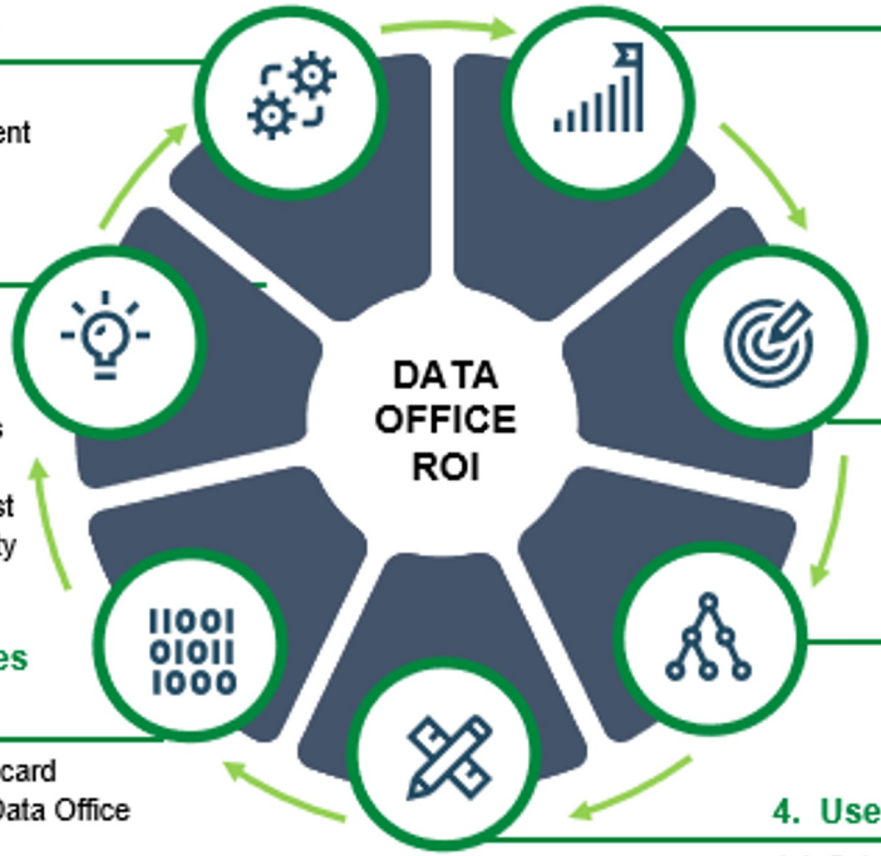
Data Program ROI	**Data Projects ROI**	**Data as a Balance Sheet Asset**

Get involved: www.EDMCouncil.org – Go to Groups > Data ROI

Data ROI Working Group

100+ Companies; 150+ SME's : Representative Participants

Data Office ROI Playbook V1.1



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

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

6. Manage Data Initiatives

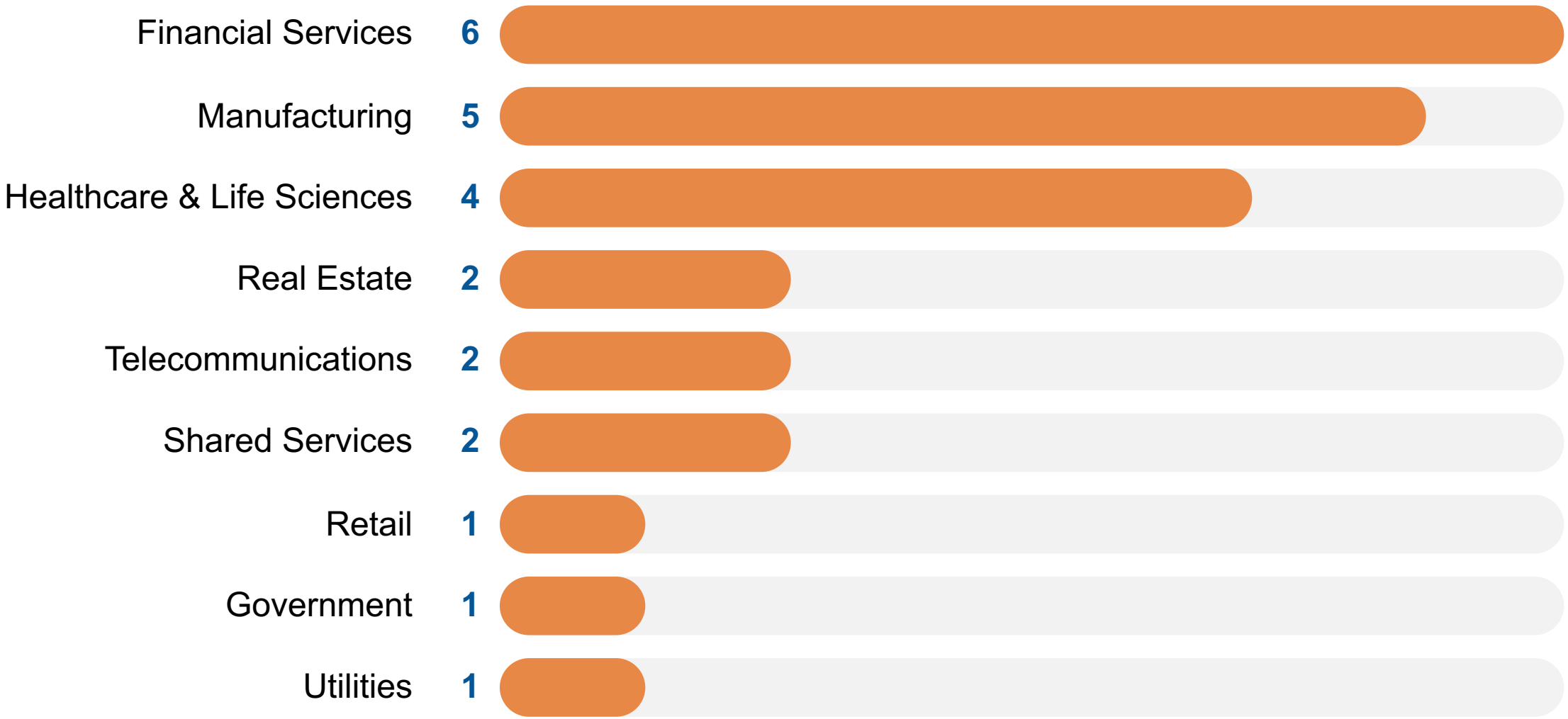
6.1 Create Inventory
6.2 Map to Business Objectives
6.3 Map to Data Products
6.4 Map to Enterprise System Initiatives
6.5 Implement Data Governance
6.6 Align & Periodically Measure Against Data & Analytics Capability / Maturity Models (DCAM/CDMC)
6.7 Adopt Data Standards

7. Implement Value Realization

7.1 Establish Value Realization Office
7.2 Implement Data Product Management
7.3 Manage Impact of ML Model Drift
7.4 Align Soft & Hard Dollar Benefits

DCAM CDMC ESG

Data Office ROI Business Cases & Case Studies



Data Office ROI Business Cases & Case Studies

APPENDIX B - DATA OFFICE ROI BUSINESS CASES

1. Table 2: Valuation of Basic Employee Data based on LinkedIn Acquisition
2. Table 3: Date of Birth Data Quality at Bank
3. Table 4: Reduction in Net Working Capital at Retailer
4. Table 5: Prudential Regulatory Compliance at Bank
5. Play 4.3: Net Present Value of Revenue Enhancement Business Case
6. Play 4.4: Clinical Trial Data Valuation based on Monte Carlo Approach
7. Table 6: Quality-Adjusted Customer Data Value
8. Table 7: Data Office Impact Scorecard at Global Manufacturer
9. Table 8: Allocation of Global Manufacturer's Revenues to the Data Office
10. Table 9: Data Portfolio ROI at Telecommunications Carrier
11. Table 14: Value of Data for Proposed Acquisition in Consumer Electronics
12. Table 17: Current Value of Resident Data at Real Estate Firm
13. Table 18: Potential Value of Anonymized Resident Data at Real Estate Firm
14. Table 19: Value of Data as Percentage of Enterprise Value at Real Estate Firm
15. Table 21: Current Value of Retail Customer Data at Financial Services Institution
16. Table 22: Potential Value of Data Science Models for Customer Churn

PENDIX C - CASE STUDIES

1. Case Study 1: Data Enablement Team at Large Government-Sponsored Entity
2. Case Study 2: Enterprise Data Approach at Large Software Company
3. Case Study 3: Federated Data Governance Operating Model for Telecommunications Carrier
4. Case Study 4: Chief Data Office at Large Real Estate Investment Trust
5. Case Study 5: Cost Reduction at Large Software Company
6. Case Study 6: Perspective of Chief Data Officer at Large Mortgage Bank
7. Case Study 7: Pivoting Data Lineage at Investment Bank to Business Process Focus
8. Case Study 8: Perspective of Chief Data Officer at Large Consumer Bank
9. Case Study 9: Data Valuation at National Highways
10. Case Study 10: Value Realization at Large Non-Regulated Utility
11. Case Study 11: CDO Perspective on Business Case for DCAM at Large Bank
12. Case Study 12: Business Case for Data Quality at Multinational Industrial Company
13. Case Study 13: Data ROI Program at Large Health Care Provider
14. Case Study 14: Hidden Value of Data in Consumer Electronics M&A
15. Case Study 15: Real Estate Data ROI
16. Case Study 16: Financial Services Data ROI

EDM Council Data ROI Principles

1. **Data Product** – adopt a ‘data product’ approach to ROI (easier to determine the cost and benefit of a data product)
2. **Data & AI Product Taxonomy** – advocate for a standard data product taxonomy (introduce ‘financial’ metadata)
3. **Data Valuation** – use diverse methodologies including discounted cash flow & market data comparables
4. **Data Quality/Data Risk** – adjust for data quality, data rights & data risk
5. **Data Attribution** – assign (attribute) a percentage of the ROI value of a program to the data provided
6. **Dedicated Data ROI Resources** – ensure every organization has dedicated resources to capture and record the ROI of completed data projects

[1] Intangible Asset Market Value Study, Ocean Tomo https://www.oceantomo.com/intangible-asset-market-value-study/

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

What is a data asset?

- **Data assets refer** to a system, application output file, document, database, or web page that companies use to generate revenues. Data is one of the most valuable assets in the technology era, and organizations spend billions of dollars managing such assets. Data asset examples include data on events, information, and transactions such as customers' interests, spending behavior, social media, budgets, strategic plans, etc. (Adapted from Corporate Finance Institute)

- **Data assets help** companies improve their decisions, serve customers better, and generate new revenue streams. For instance, many streaming companies rely on their data assets to engineer new products, improve current products, and create better ways of providing value to their customers

- **The real question** is how to value and extract more value from data assets

Why data as an asset?

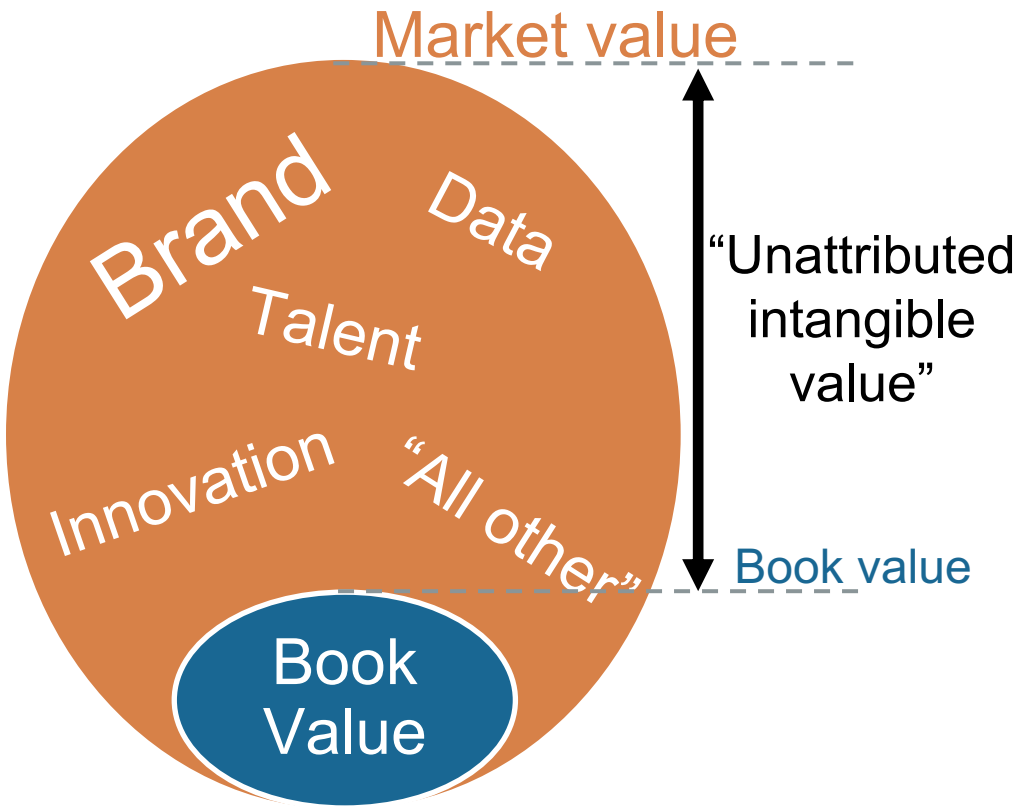
1. According to the annual analysis by Ocean Tomo[1] intangible assets make up more and more of a corporation's market value
    1. At year-end 2021, 90% of the market value of firms in the S&P 500 were intangible assets
    2. In 1975, intangible assets made up only 17% of the S&P 500 firms market value

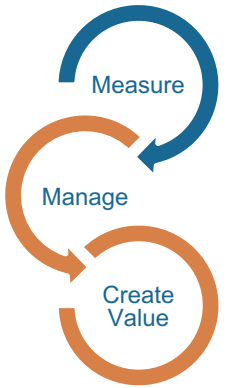
2. According to Doug Laney, *Infonomics*, info savvy companies have a 2 to 3 times greater market value than non-info-savvy companies

3. Sectors that have invested the most in intangibles—more than 12% of their gross value added (GVA, a measure of economic growth)—achieved 28% higher growth than other sectors in GVA, or more than 2.7% per year between 1995 and 2019 — *Getting tangible about intangibles, McKinsey Global Institute, June 2021*

[1] Intangible Asset Market Value Study, Ocean Tomo https://www.oceantomo.com/intangible-asset-market-value-study/

Data as an asset framework: Measure





Opening reasoning

- Market values recognize intangibles; accounting standards less so
- Five types of intangible values stand out
  - 'Brand', 'data', 'innovation', 'talent', 'other'
- Attributing a value to intangibles is the challenge

Research

- Valuing a brand is akin to valuing data
- Leverage a leading brand valuation study of the world's top 100 brands (Kantar Brandz)

Establishing a hypothesis

- Using 52 US brands across 46 US firms, brand represents from 7% to over 100% of unattributed intangible value (median 35%)
- With reliance on the 35% median for brand, could the remaining 65% be attributed to data, innovation, talent and other?

Post-analysis conclusion

Data will commonly be worth 10%-25% of the difference between a company's market and book values—with adjustments for data product companies and balance sheet heavy financial institutions, such as banks

For more information on the Kantar BrandZ annual study of brand values, see: https://www.kantar.com/campaigns/brandz/global

POLL #3

Is your organization considering a DataCo?

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

POLL #4

What standards or regulations create an imperative to value data in the next 36 months?

- IFRS/US GAAP/Local GAAP
- China Twenty Data Measures
- Other
- Do Not Foresee an Imperative

Questions?

Data ROI Workgroup Reports

Data ROI Playbook

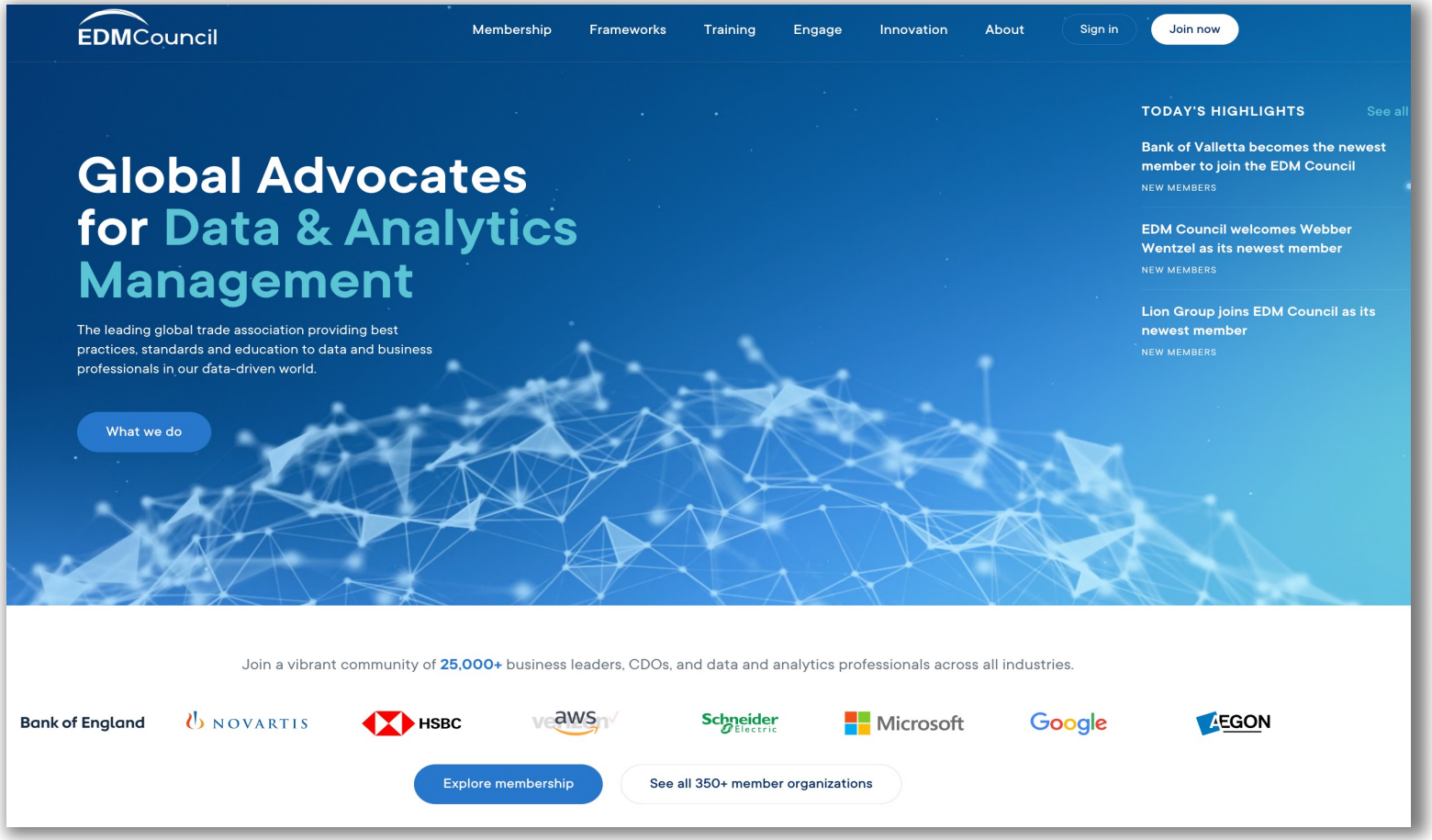
Data as an Asset

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

Join EDM Council and our membership community of companies…



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