

Treating Data as an Asset: Increasing Enterprise Value of Customers Using Data

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No matter the industry, data analysts are bombarded with varying opinions on what to do with the current and future deluge of data. With the number of sources only increasing, several approaches are proposed to manage it, but fall into two fundamental groups: keep it all in a data lake and figure out what to do with it later; or, keep only the data that meets a new analytics need or use case. Yet, if data is an asset—as so many companies portray—why is it that no one is taking the valuation approach to speak to this issue?

The ability to place a value on individual pieces or types of data would be a powerful tool in being able to distinguish what data to keep or discard. Through this practice, the data dilemma would no longer exist, since no useful data would be thrown out, and no irrelevant data would be kept arbitrarily.

Though there are various methods for calculating customer value, most companies approach it in one of two ways: transactional approach versus a financial approach.

The Valuation Riddle

Every company has a specific method for valuing their assets—whether those assets are machinery, processes, or personnel. For data, however, there is generally no organized method in place for measurement of value. This is problematic for businesses because appropriately evaluating the value of an asset better informs decision makers about that asset's priority to the company.

Take the ability to properly assess individual customer value, for example. Though there are various methods for calculating customer value, most companies approach it in one of two ways: transactional approach versus a financial approach. Simply reviewing transactional data only illustrates value from one perspective. While calculating the cost to acquire a customer does not take into account the amount of revenue they stand to generate as a lifelong

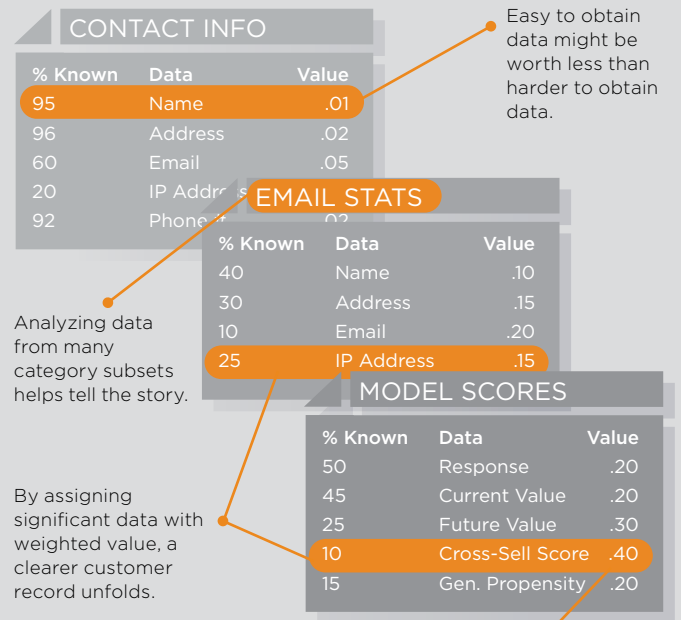
customer through purchases or how much they cost the company with customer service requests.

By applying a weight to specific types of data—whether it be a score or monetary value—a clearer picture materializes of how to prioritize data according to what is important to the business.

One way to illustrate this is by walking through a common practice: the purchase of an email list for a marketing

Value and Potential Value of a Customer Record

For each subject area there are a series of data elements that make up that subject area. Not all customer records will have all data elements populated, but for data elements that are populated AND have an agreed upon value, it is possible to calculate the value of the data in that subset of the customer portfolio.



In this example based on 1,000,000 customers, the Cross-Sell score is 10 percent populated and is assigned a score of 40 cents per customer. The potential value would be 900,000 x .40 or \$360,000.

campaign. Competing lists may price their emails individually at 25 cents versus 10 cents, but the 250 percent mark-up may not be the only value differentiator. In fact, what matters more to marketers is that the email is delivered, opened, and clicked—ideally leading to a conversion. The value of a list of emails that was cheaper in initial cost, but generated no conversions, may actually be of lower overall value.

If the inherent value of each of the data elements can be truly understood, companies can begin to assign more value-based decisions for which data to capture, retain, and integrate, ultimately leading to better insights for other parts of the business.

The Data Approach

By combining transactional data, financial data, and behavioral data for each customer, companies can begin to build an accurate customer record. This customer record can be greatly enhanced, however, by weighting the data sources with a value. This customer record represents each customer's true worth to the business, and is what Teradata calls the Data Approach.

Individual sets of data from different sources often tell one side to a multi-faceted story. Kicking off the deployment of the Data Approach begins with viewing all of the sources together in order to determine their value as a set. This process of trial and error takes time, heavy analysis, and an honest conversation about what is most valuable to the company—number of transactions, low cost of conversion, or perhaps, brand interaction. Once that is determined, a value, or weight, can be placed on each grouping of data so that an accurate score can be assigned to each customer, according to the priorities of the company.

With a total customer portfolio of more than \$200 million, one Teradata customer was aiming to grow their revenue through data and analytics insights. The challenge was being able to accurately categorizing customers and prospects into the appropriate tiers.

By deploying a Data Approach to the building of customer records, this customer record includes historical data, transactional data, web logs, and customer service logs,

and then maps the data to answer key business questions:

- How much does traffic does each platform generate?
- How many conversions and how much money comes from each platform?
- What subject area data supports which platform?

These insights helped to identify which areas were generating the most revenue, therein illustrating to the Media & Entertainment giant that it was greater to value and weight one set of data over another. As a result, they were able to grow their customer value from \$212 million to \$284 million.

No matter which approach is adopted, it is important to recognize that the current solutions in place for most companies cannot be sustained: it's unrealistic to capture, as well as store, all data indefinitely until a use can be found to leverage it; additionally, data shouldn't be arbitrarily deleted. Building a mechanism for prioritizing your data, in the same way other assets are valued, is the next logical step in data management that can lead to big cost savings and revenue boosts.

The Teradata Advantage

By viewing data as a corporate asset, it only makes sense to invest time and effort into understanding and realizing the value of that asset. Teradata can help your business determine which of our several approached is right for you. To learn more, visit Teradata.com. When you know more, you can do more.

About the Author

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Chris Smith has been with Teradata as a Senior Industry Consultant since 2000. His specific areas of expertise are in the areas of customer segmentation, testing strategies, customer acquisition and retention, data quality, statistical model implementation, and customer lifetime value theory. Prior to Teradata, he spent his career dedicated to various database marketing positions within the Financial, Entertainment, and Digital Media industries. He boasts over 20 years of experience across all aspects of Database Marketing, Customer Relationship Marketing, and Decision Support.

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