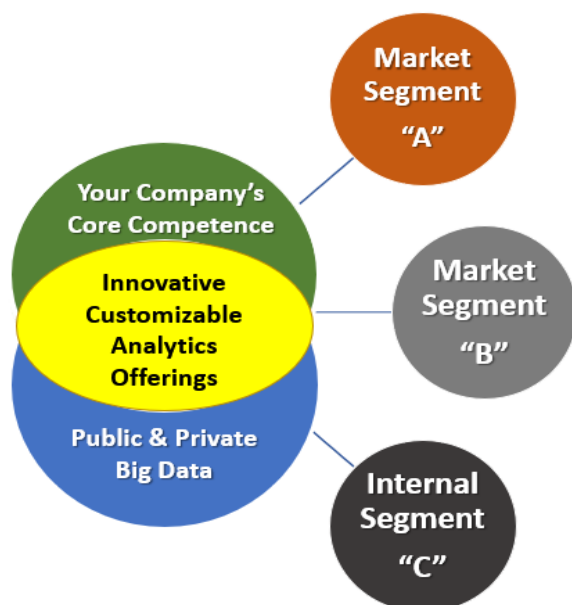


# MONETIZING BIG DATA / ANALYTICS

## ... A BUSINESS MODEL PERSPECTIVE...

*Tom Esposito*, Chairman and Managing Partner, The *INSIGHT* Group

*Joe Foresman*, Partner, Big Data / Analytics Offerings Management, The *INSIGHT* Group



*Data needs to be a shared resource available to solve problem in multiple customer market segments and internal productivity initiatives*

Although most companies are making major investments in building and delivering Big Data / Analytics offerings, based on our experience, few are making money with their initial offerings.

Target markets segments are very narrow—likely missing opportunities across multiple customer segments. In addition, many do not see a time soon where they will become profitable.

Clearly, there is a period where investments will outweigh returns, but our view is that many of the firms do not have the right go-to-market strategy and have not put the appropriate business model in place nor the financial management systems needed to accelerate both growth and profitability.

Our experience, with a number of clients and benchmarks,<sup>1</sup> indicates many are experiencing challenges in the following three areas:

### 1. Go-to-Market Strategy

Many firms have competing initiatives and multiple data owners that are organized in a siloed framework. Data is not treated as an enterprise resource and most initiatives are departmentalized, focused either on internal productivity projects or limited scope customer offerings. The most successful implementations treat data as a *shared resource*—

#### GE – Big Data

*The digital universe is expected to double every year to reach 44 trillion gigabytes by 2020*

**Manufacturing:** *87% of executives see Big Data as a top 3 priorities*

**Healthcare...** *75% of executives believe analytics has the power to drive a productivity transformation in healthcare in the next year.*

<sup>1</sup> Monetizing Data and Analytics Article, November 2016 by Rich Lechner, Managing Partner, The *INSIGHT* Group

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available to create offerings for multiple market-segment opportunities and multiple internal productivity initiatives

## 2. Services & Solutions Business Model

The recent rapid infusion of technology into the business model (hybrid cloud, social media, big data/analytics, augmented reality, mobility, IoT\* etc.) has created new disruptive delivery models such as “Anything-as-a-Service” (XaaS). Again, our experience with clients and industry

### **IBM - A Planet of Data**

*Thanks to a proliferation of devices and the infusion of technology into all things and processes, the world is generating more than 2.5 billion gigabytes of data every day, and 80 percent of it is “unstructured”—everything from images, video and audio to social media and a blizzard of impulses from embedded sensors and distributed devices.*

*IBM has invested more than \$24 billion, including \$17 billion of gross spend on more than 30 acquisitions...Two thirds of IBM Research’s work is now devoted to data, analytics, and cognitive computing.*

benchmarks indicate that most firms understand that they need to transition from a dominant “product-focused” business model to a more “solutions & services customer-centric” model. Making incremental changes to the existing business model to attempt to run a solutions and services business has not proven effective, although many customers start with this approach. Consultative selling, market management, use of IT infrastructure, software / offerings development, and skilled resource management are a few of the key business processes where slow progress is being made.

The development of Strategic Partnerships has also become an essential growth element for this business model. Because of the breadth of capabilities required to profitably deploy BD/A solutions, it is not possible to own and manage all the necessary capabilities. A few of our clients have experienced major benefits to partnering, some of which include:

- *Enabling access to new innovations linked to your value chain*
- *Expanding your ability to extend your reach to bid on National and Global Opportunities*
- *Brand synergy enabling access to new opportunities and decision makers*
- *Embracing data in all forms and applying analytics, unlocking insight, and making fact-based decisions*
- *Allowing client-centric, digitally savvy use of cloud, mobile, social, and big data platforms which help you configure your solutions more effectively*
- *Ability to constantly adapt to changing market dynamics, buyer demands and disruptive technologies*
- *Enjoying a variable cost and expense structure tightly coupled to revenue*

## 3. Financial Management / Pathway to Profitability

Developing, deploying, and managing the financials of Big Data / Analytics solution offerings is more complex than managing either products or services offerings. The business model contains

*Business Model Transformation*

many more elements, including multiple strategic partnerships. Most BD/A solutions have the added elements of software development, hybrid computing infrastructure, (public & private), massive amounts of data, plus a substantial amount of shared internal resources. Some of the areas where we have seen consistent gaps include:

- *Adopting a services-focused P&L with services element detail and owners for each of the major elements: Revenue, COGS, SG&A and Operating Profit*
- *Implementing a “Services Based” Planning & Budgeting Process with functional interlocks and Quarterly Business Review (QBR) progress reporting*
- *Managing R&D spending to industry best-in-class benchmarks (startup & steady state).*
- *Managing subscription renewals—loyalty rate set too low or sales coverage model not affordable*
- *Lack of granular cost accounting and management process for software development and software maintenance & support*
- *Lack of an internal costing model for sharing internal resources including investments.*
- *Cost accounting allocations done at too high a level—unable to assess profitability of each major solution / offering. (internal or external)*

**Agriculture – Production**

*The agriculture industry is capturing and creating large data sets both public (weather, soils) and private (field-based data: yield, product, and imagery) public and proprietary algorithms analyze these data sets to identify high yielding combinations that benefit farmers, suppliers and ultimately society. The fact that the same data sets inform custom solutions of several constituents creates the opportunity to spread costs across multiple revenue streams, increasing profitability.*

*For example: DuPont Pioneer released a White Paper where Pioneer agronomists estimated, in a typical year, farmers lose \$50-60/acre in either under or over applications of nitrogen in corn. This equates to more than \$4.5b per year in losses and crosses many constituents.*



These and several other variables—such as sub-contractor / partner spending plans are not aligned to multi-year revenue outlooks by solution offerings—are a few of the most common gaps. Gaining traction to improve your ability to achieve the highest return on your investment is best enabled by using a pragmatic approach, applying the right business model, industry best practices, and benchmarks from successful implementations and comparing them to your approach and progress timelines.

**ABOUT THE INSIGHT GROUP**

*A 'Best Practices' skills-transfer management consulting firm focused on helping companies transform and implement high-growth services and solutions strategies. The INSIGHT Group has developed a lean assessment offering that helps companies analyze their current BD/A initiatives by addressing all three elements (GTM strategy, business model & financial management), comparing current practices against “best-in-class” benchmarks. INSIGHT’s methodology quickly pinpoints high priority gaps plus makes specific recommendations to address each gap. The INSIGHT Group is also an in-depth provider of Cultural Plan Development and Leadership Development programs for transforming organizations. Visit us at [www.insight-group.com](http://www.insight-group.com).*

**ABOUT THE AUTHORS**

***Tom Esposito is Chairman and Founder of The INSIGHT Group.***

Tom has had a unique opportunity to observe and participate in the growth of the fee-based services business. He Co-Founded the INSIGHT Group in 1996 following 30 years at IBM where he was acknowledged as one of the key architects of IBM's Global Services Business. While at IBM, Tom was responsible for developing and implementing strategies to broaden IBM's services business from traditional maintenance and software support into a rapid growth high value customer services business including outsourcing services. He also served as chairman of IBM's North American Services Executive Council and as spokesperson for the North American services business. His last assignment at IBM was Vice President - IBM Global Consulting & Services where he was responsible for re-engineering IBM's rapidly growing geographic services businesses to a global services business with common goals, processes and metrics worldwide. Tom has been a frequent speaker at industry conferences and events...a member of the board of advisors of the Arizona State University's Center for Services Leadership. Contact Tom at [esposr@insight-group.com](mailto:esposr@insight-group.com) or (757) 631-9181.



***Joe Foresman, Partner, The INSIGHT Group (Former Director of Services Americas at DuPont Pioneer)***

Joe is responsible for business development focused on helping our clients implement innovative services offerings with a focus on monetizing BD/A cloud based solutions. Joe's experience creating subscription based Big Data Analytics(BD/A) offerings complements our work with both ASU's Center for Services Leadership and our BD/A Practice team.

Joe has 34 years of highly successful achievements in the agricultural industry for DuPont Pioneer. He understands the cultural and business model issues facing product focused firms who want to add services and solutions revenue to their business. While at DuPont, Joe led or participated in more than 200 customer wants and needs assessments in the US and Brazil. These assessments led to the development and execution of first-of-a-kind services that were manifested in acquisitions or launching Big Data / Analytics subscription based services solutions. His last assignment at DuPont Pioneer was the lead on the Big / Data Analytics Encirca Offerings Development and Discovery team with responsibility for developing and delivering innovative new solutions for AG industry farmers, retailers, distributors, and processors. Pioneer's Encirca offerings were identified as a leading-edge implementation of Cloud based Big Data Analytics offerings by Arizona State University's Center for Services Leadership (ASU/CSL). Pioneer is one of the few firms that has deployed fully monetized scalable BD/A's subscription based offerings to date. Contact Joe at [jjforesman@insight-group.com](mailto:jjforesman@insight-group.com) or (515)-778-9052