# EOSE

# INSIDER INSIGHTS

Since its inception in 2018, EOSE has been helping financial firms - trading firms, brokerages, exchanges, custodians and others - bring their data sets to market. In fact, we've helped establish six new data businesses from the ground up for our clients over the past year.

Through our experience so far, we've realised that for many of our clients, this is not just about revenue generation - the question of data monetisation necessarily sparks strategic discussions of how to position the new data business, the possible impact on existing core business activities, and the development and management of sales resource.

Only when these issues have been resolved can serious consideration be given to product design and commercial terms. So here are the eight key considerations - direct from the coalface - for firms looking to establish a new data business.

LESSONS FROM THE COALFACE
OF MARKET DATA MONETISATION

## 01

## Structuring the Business

The first order of business is to ascertain how and where the new data business fits within the existing organisation. This is more critical than you might think, and is certainly something you don't want to be trying to sort out after product design, commercials and go-to-market strategy have been put in place.

Specifically, it's essential to know where the new business sits within the corporate structure of the business, since this may have an impact on downstream processes like tax liability or restrictions on global billing.

It's also key to understand who owns the data that will form the basis of the product or service offering. In financial markets organisations, the data product often draws upon data sets generated by different trading desks or business units. These may have differing views on data ownership, and more broadly on what a data product should look like. It's essential to understand who will be calling the shots on these important points before product design starts in earnest.

These structural questions extend into corporate services, like billing and reporting, legal, finance and so on. Understanding how these processes will work going forward, and making sure that the new business unit has plans in place for what it needs, helps streamline the launch and minimizes the risk of 'nasty surprises' down the line.

# 02

## Data Quality

Another early consideration is the suitability of the data sets in question for the purpose of the product. Financial firms' new data products are often based on by-products (sometimes called the 'exhaust') of core business activities like trading, broking or pricing. This exhaust doesn't necessarily qualify as market data. For one thing, it may be incomplete or contain errors or corrupted data. For another, you need to assess whether the firm has a sufficiently robust infrastructure in place to create the data on an ongoing basis and deliver it in a reliable and timely way to downstream processing systems and clients. If it is dependent on manual processes, what happens when those processes are disrupted or stop for some reason?

At the same time, it's important not to overstep the mark with respect to developing new data services. Firms bringing new data products to market can be guilty of taking on unnecessary development in order to present a more 'packaged' or robust data offering. But many would-be acquirers of the data - whether vendor/redistributors or end-users - may prefer to see the original data in its raw form, or else would like development to take a different direction that better suits their own business needs. Prospective data suppliers need to be mindful of these preferences, and be careful not to devalue their data sets even as they seek to add value to them.

# 03

## Lack of Preparedness

This ties into the necessity to prepare more broadly to perform the role of data producer. Erstwhile data producers often own a data set that they want to sell but are not physically prepared to sell. As well as the issues of ownership, infrastructure, development and corporate organisation discussed above, these prospective data suppliers may have unreasonable expectations of the value of their data, or are inexperienced in dealing with delivery and/or commercials associated with the data service. This can result in many wasted hours for potential client's content acquisition teams as they attempt to educate the owner of a data set they have targeted.

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## Usage Sensitivities

Another early question to address is what governance and restrictions need to be put in place to address possible sensitivities around making the data public. The firm's traders, brokers and, in some cases, clients may not welcome the data they currently use being made publicly available via the new data service.

For some users, public availability of the data may hurt the underlying business, either directly or indirectly, so it's important to understand the limits of how the data can be used in the context of a new product or offering. For many firms, governance and control is an important consideration, even without the financial issues. These firms need to ensure they have in place comprehensive terms and conditions covering the use of their data.

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## Competitive Landscape

Prospective data vendors need to behave like commercial suppliers. Bringing a new data set to market is in effect a product launch, so it's essential to understand the competitive landscape within the target market segment. What competitive data offerings are available, and what are their key USPs? What are competitors doing wrong, and what are they doing right? How can the new service disrupt the marketplace, and how will competitors respond?

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## Strategy & Positioning

Linked to this is the need to decide where the new data offering will be positioned in the marketplace. The new data-vending organisation needs to assess the possible business models - supporting the revenues it wants with the controls it requires - for its product offerings and tie these into its product development plans. These in turn should be coordinated with the product's go-to-market campaign in a combined roadmap for launch.

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## Sales Resource

Sales resourcing and management is another key consideration. Recruiting a sales person or team carries substantial risk, as the firm seeks to establish an unproven product into a new target marketplace. With so many unknown variables, many new data suppliers opt to outsource their commercial reach-out activities to EOSE's team

of data salespeople. This allows them to tap into our industry contacts and leverage our data sales specialists to reach them with the right approach.

This approach can also be attractive to firms with existing data sales teams that are seeking to add new products or launch in new geographic locations or other market segments. This allows them to draw upon additional sales resource without making a significant commitment, which can be risky with any new venture.

## 08

## Adapting to Changing Market Dynamics

Indeed, firms with existing products need to keep on top of and address changing market needs and dynamics, as well as constantly prospect to reach new audiences. Here, it's essential to strike a balance between bringing new capabilities and products to market while continuing to support and meet the needs of their existing subscribers.

The marketplace continues to change in how it consumes data. Tracking of data use, for example, is an increasingly important capability that may have implications for revenue receivables, as user firms seek to use emerging technologies to remain in compliance with their data licensing agreements. It's key for new suppliers to understand tracking techniques and ensure their pricing models reflect realistic usage of their services.

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