

INSIDER INSIGHTS

If you're an exchange or broker, your data has significant value, but you may not be fully realising it. Establishing or expanding your data business can deliver real results for your bottom line, but watch out for the nuances and pitfalls that can cost your business, not only in terms of missed revenue opportunities but also through lost clients (both for the data but potentially also for order flow to your core business), if you deliver a poor data experience. Here are the top five considerations when building a data business, gathered from decades of experience.



01

Do you really know where your data is going?

It's imperative to understand how consumers use your data. It may be that you give data for free in return for trading flow from customers, but often a simple investigation can reveal how your data may be re-distributed more widely than you imagined. In here lies great opportunity to monetise this redistribution of your data, without damaging your existing client relationship.

02

The impact on client relationship when going from free data to paid for

If you want to start charging your clients for data that they have previously enjoyed for free, you need to manage it very carefully in order to avoid damaging that client relationship. There are ways you can approach this to keep the relationship intact. For example, you can consider assigning a value for your data and zero summing it for your client so they recognise the value and then phase in charging over the longer term.

03

Getting the pricing right at the start is crucial

How do you understand the market value of your data? It comes down to the strength of your coverage of particular instruments and geographies, as well as the competitive landscape and distribution channel, knowledge of which can only come with experience. But you need to get it right from the outset. The more established data providers have found it very difficult to vary from their fee structures once entrenched.

04

Defining terms and managing control about how the data can be used

Be sure to protect the IP of your data, and be clear about the definitions of usage under your licensing and entitlements policies. You need to define the rules around how the data is accessed, leveraged, redistributed and establish the right SLAs.

05

Getting the product sets and delivery right

What data will you include and how will it be productised to deliver value both to clients and your firm? You need to consider concerns about confidentiality of data from clients. And you also need to ensure you can deliver data quality - ensuring the data is timely, clean, mapped and more so as not to risk the trading relationship. How will you deliver the data? Via third-party platforms can incur significant fees; delivering direct has technology overhead

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