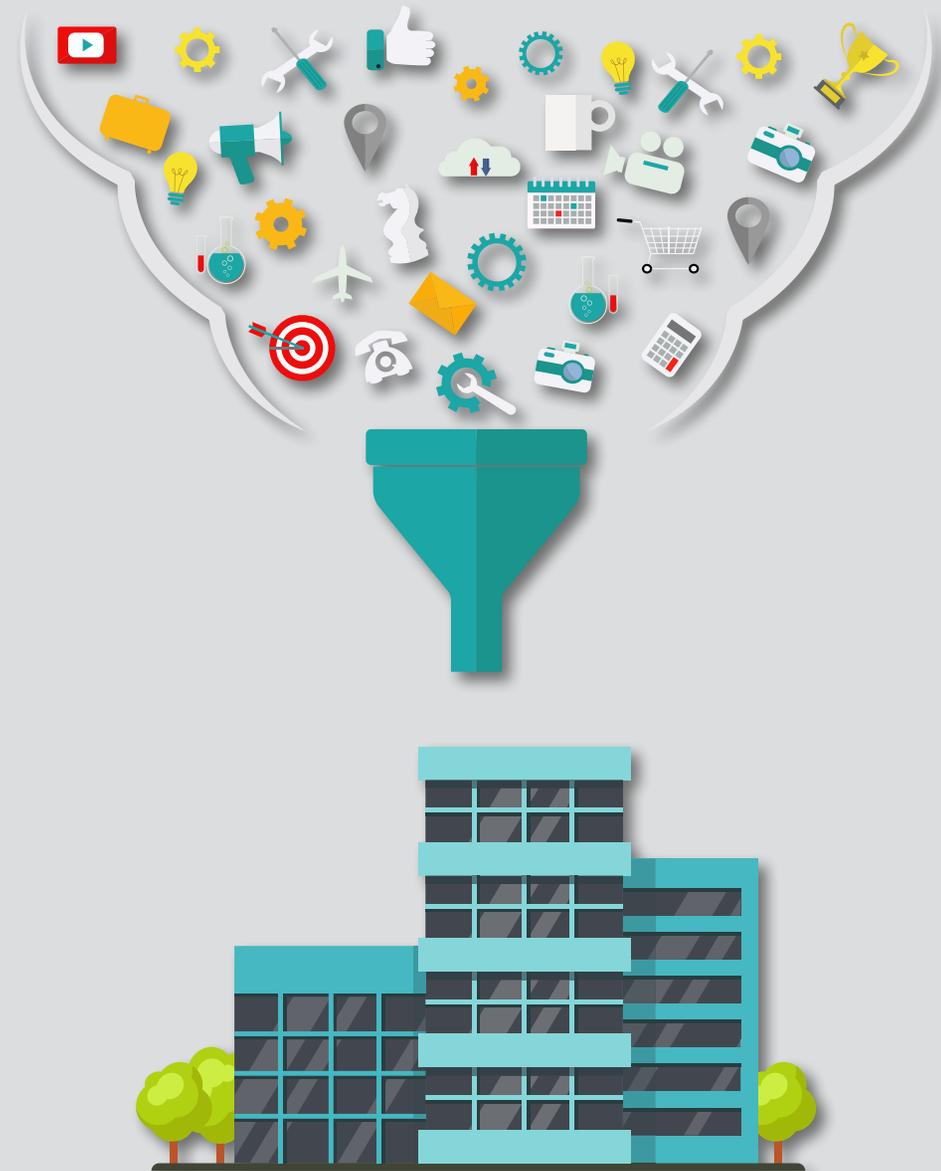


Five Key Requirements of an External Data Platform

Strategic Alternatives to Building Your Own



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External Data Adds Value

External data can be valuable to many organizations. It can enrich the internal data that an organization collects and analyzes about its customers, prospects and partners. Planning and operations teams can benchmark an organization's financial or operational performance. And it can supplement machine learning (ML) analyses to produce more accurate models.

Our ML research shows that those **organizations that are using external data are more likely to realize a variety of benefits.**

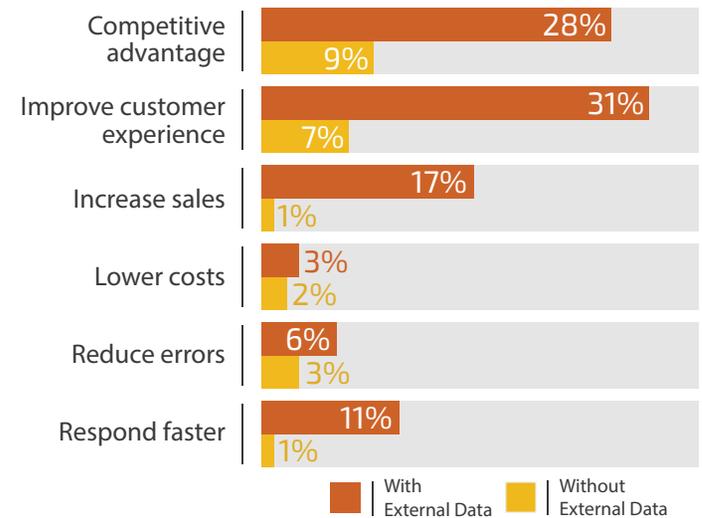
For the retail and consumer packaged goods sectors, demographic data is essential to understanding customers' buying behaviors. In financial services, external business data helps in assessing credit risk when extending small business loans and lines of credit. For insurers, weather and geospatial data can be essential to managing claims from damaging weather events.

Takeaway:

External data can improve an organization's bottom line.

Machine Learning Benefits Reported

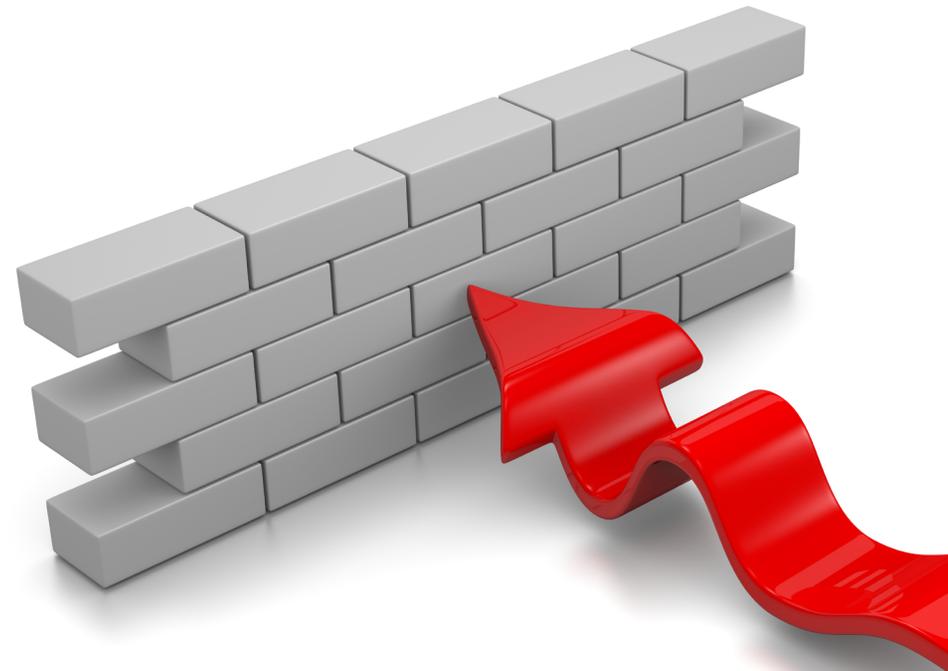
External Data Adds Value



Integrating the Right Data Is a Challenge

Unfortunately, **the variety and volume of external data can make it difficult to find the right information.** With data available from a variety of vendors, even determining which vendor to work with can be challenging. And since these sources are external, individuals within the organization may be less familiar with what each data source contains and how best to use it.

That variety also makes it difficult to integrate the external data. Each source may deliver data in different formats and may require different processing to be included in analyses. Fifty-five percent of participants in our research already report that data preparation is one of the most time-consuming aspects of analytics, so these additional challenges with external data could discourage its use.



Takeaway:

Be aware of and minimize the obstacles to working with external data.

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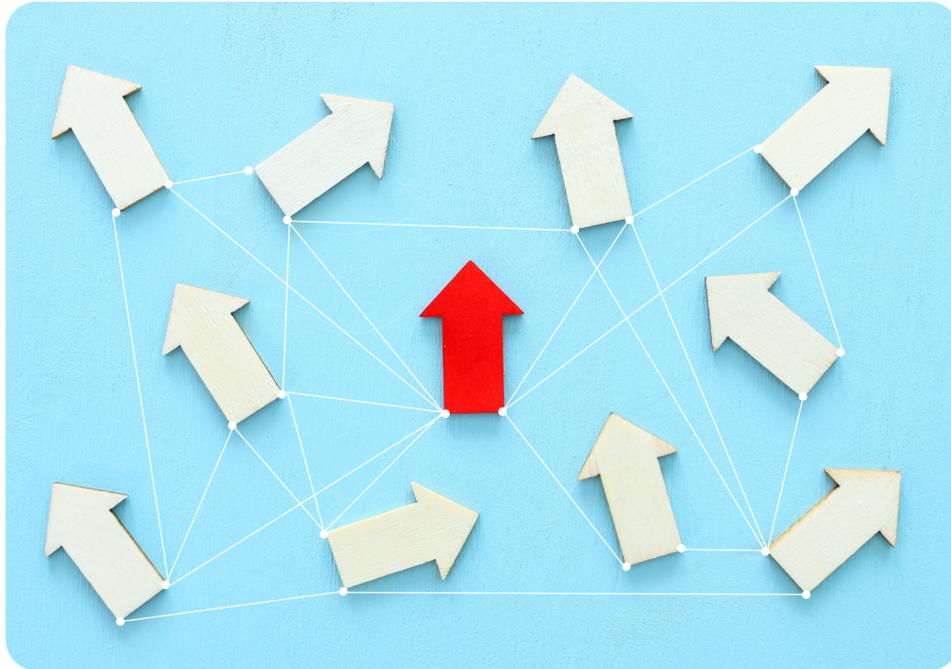
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Sources Can Be Expensive and Cumbersome



Maintaining contracts with a variety of external data vendors can result in extra costs and administrative burden. **There are no economies of scale when working with separate vendors** since each contract must be managed independently. The timing of renewals may not coincide, and each source must be evaluated at renewal to reassess its value, and even to determine whether the data is being fully utilized.

Each external contract may also have its own governance and compliance provisions, and each will require internal monitoring. And periodically sampling new data sources is important, but doing so requires coordination with numerous vendors.

Takeaway:

Purchasing individual data sources separately creates costs and administrative burden.

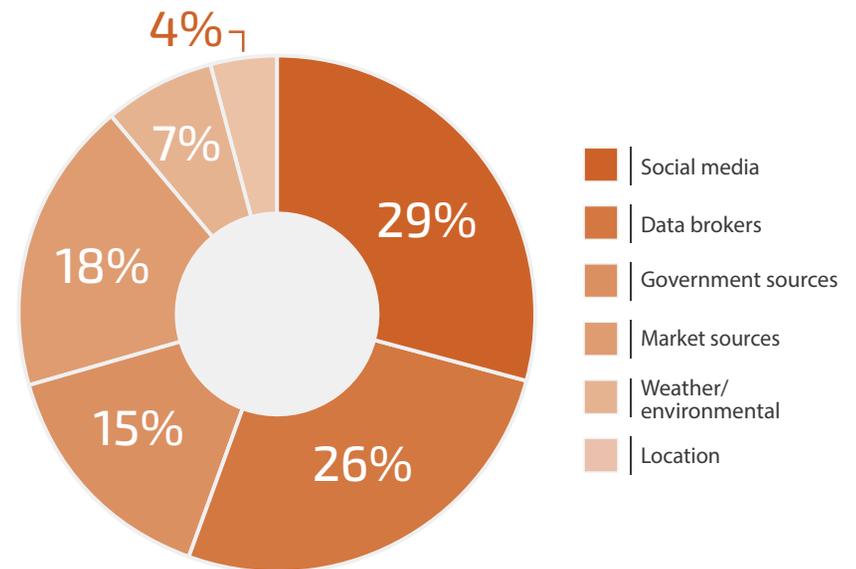
Key #1: Market for External Data Sources

Our research shows that more than three-quarters (77%) of participants consider external data to be an important part of their ML efforts. And those **organizations use a variety of external data sources in their analyses** including social media and demographic data from data brokers. Organizations also identified government data, market data, environmental data and location data as important external data sources.

External data needs to be easily and readily available to the organization. **An external data platform** with a marketplace approach—where individuals have access to a variety of external data sources and individual data signals from which to pick and choose—coupled with an opportunity to easily experiment with the data **will help the organization take full advantage** of external data.

External Data Sources for Machine Learning

Social media tops list



Takeaway:

Adopt an approach that makes it easy to try and buy new data sources.

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Key #2: Data Preparation and Enrichment

Our research shows that external data sources are also a routine part of data preparation processes, with 80% of organizations incorporating one or more external data sources. **An external data platform should** support such processes by making it easy to **incorporate and integrate the external data with internal sources.**

Data enrichment services that use artificial intelligence and machine learning (AI/ML) can also increase the value of external data. AI/ML can be applied to identify the signals in the data that will be most relevant for an organization. In fact, we assert that by 2024, more than 60% of all data processes will use AI/ML to boost the value that can be derived from the data.

Data

Market Assertion

By 2024, more than 60% of all data processes will use artificial intelligence and machine learning to boost the value that can be derived from the data



David Menninger
SVP & Research Director



Takeaway:

Look for additional ways to enrich data and improve analyses.

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Key #3: Data Updates

Market data is constantly in motion. Customer demographics change as transaction histories grow, and economic indicators fluctuate with expanding and contracting cycles. So once an organization identifies valuable external data sources, those sources must be kept current. Outdated information could lead to poor decisions and negatively impact the bottom line.

External data platforms must provide processes for acquiring and integrating updated data. These processes must be repeatable and easy to administer. Maintaining up-to-date information is critical to ensuring accurate internal analyses, as well as to support optimal operational decisions.



Takeaway:

Ensure that data is timely and that it can be easily kept current.

Key #4: Governance and Compliance



Many external data sources include demographic information that contains personally identifiable and other sensitive information, **all of which must be protected**. An external data platform should include the appropriate governance and compliance mechanisms and should provide role-based privileges to restrict access.

In addition, many regulatory and compliance policies require the ability to monitor and report on the usage of information. Where purchased data sources are available, these should also be managed carefully, both for budgetary reasons and to comply with data-usage policies.

Takeaway:

Many external data sources require special governance and compliance.

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Key #5: Monitoring and Auditing Usage

Monitoring and auditing are required in external data platforms not only for governance and compliance, but also to **help organizations understand what data is being used and how**. If one part of the organization has not recognized the value of external data or isn't using it, this will be revealed in the usage patterns. Such usage data can also help organizations collaborate around the best ways to get value from external data.

When it's time to renew or renegotiate subsequent purchases, **usage data will be critical**. Then, where costs of the platform are shared across departments, usage data can be used to allocate costs among multiple cost centers.



Takeaway:

Monitor data usage to maximize the value of external data.

Adopt a Platform to Encourage the Use of External Data

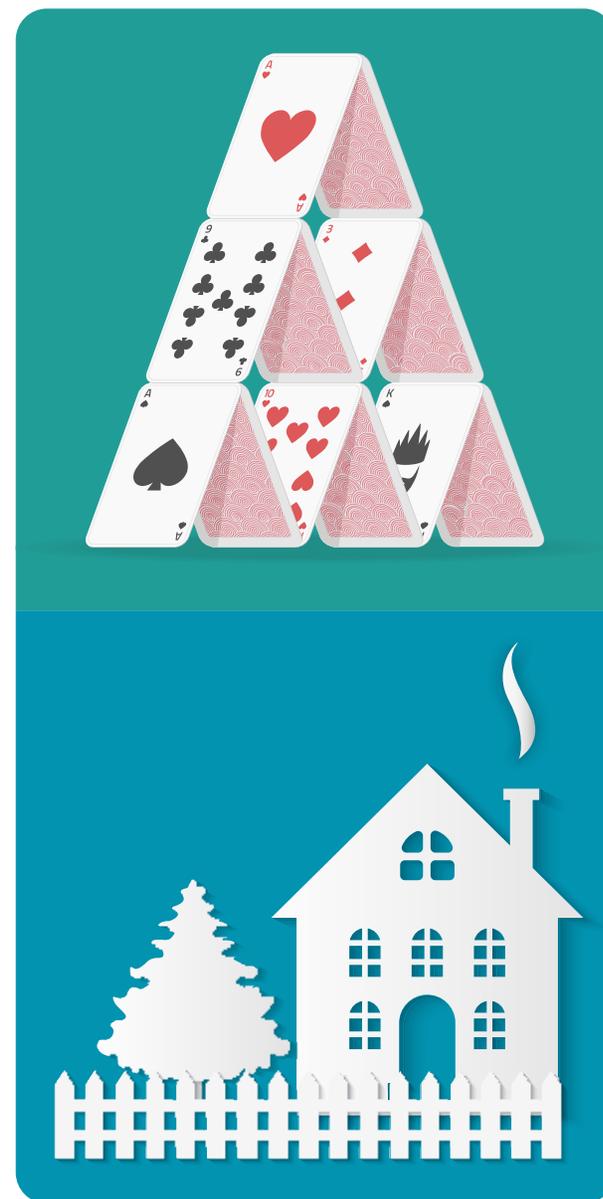
Organizations that are using external data should consider an external data platform rather than operating in an ad hoc manner with separate purchases or subscriptions.

A platform provides regular updates to the data itself and makes it easier to extract usage data. It can provide data enrichment for AI/ML models, allowing for more accurate analyses. The platform can handle matching, merging, and integrating external and internal data. It can identify and measure how external data has improved models. Better governance and monitoring will ensure compliance with internal and external requirements, as well as better fiscal control over the costs of external data. Overall, an external data platform can help encourage the use of external data to improve the bottom line.

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