CREATE A BREAKTHROUGH BUSINESS MODEL WITH A DATA-DRIVEN APPROACH

By Asha Saxena (YPO Global One)

SAXENA

THINK ABOUT THE MOST successful companies. Now, consider what made those businesses the powerhouses they are today.

It was not just a good idea, hefty financial backing or luck that turned a few startups such as Apple, Amazon and Facebook into corporate giants. What propelled those companies was an understanding of the power of data and how it can, and should be, harnessed to achieve new levels of growth and success.

But today, entrepreneurs must go one step further than utilizing data for their startups to survive and thrive. They must prioritize data analysis from the get-go, starting with a business model that has data-driven practices at its core.

The road to success is paved with data

Data is a central part of business — and for good reason. Data can give leaders a clearer picture of their companies, products and markets, from the effectiveness of corporate practices to the trends consumers hope to see in the future. These insights allow chief executives to make more educated decisions, leading to higher productivity and profitability.

Notable companies have built empires by utilizing data in innovative ways. Spotify analyzes data to tailor the user experience for its more than 60 million listeners, identifying the next big thing in music and predicting winners at award shows. Netflix gathers and tracks subscriber data so the service can recommend movies and TV shows customers are likely to enjoy based on their preferences and viewing habits. And fashion retailer Zara has increased revenue and gained a competitive advantage by using real-time statistics and customer feedback to shorten its supply chain and rush emerging trends into stores.

Nevertheless, leveraging data as a business practice as a company grows is no longer enough. Leaders must have a data-driven business model in place on day one to keep up with and gain an edge over competitors.

Following are a few tips for creating a data-centric business model that will put a startup on the road to success:

CREATE A DATA INFRASTRUCTURE. Unstructured data is confusing, jumbled and vague. That's why entrepreneurs must have a data infrastructure — a road map for how data will be factored into each aspect of business, in place from the beginning. This builds strategy into collection and analysis.

USE VISUAL AIDS. One of the best ways to create a personalized data infrastructure is to generate a data innovation map: a visual guide tracking the company and customers through each business transaction. Data innovation maps help entrepreneurs understand the data that should be collected and utilized regularly. Visual guides also illustrate how businesses can become more efficient, increase revenue and improve the customer experience.

TAKE STOCK OF AVAILABLE DATA SOURCES. There are numerous ways for startups to access data, from utilizing free resources to purchasing from competitors to generating it internally. At first, many startups rely on outside sources for data; however, as companies grow, it is important for them to find ways to produce their own data, most of which will be more detailed and relevant. Of course, business leaders will need to find the mix of data sources that provides the best results for their unique needs.

DEVELOP A PLAN FOR GENERATING VALUE. Gathering and analyzing data is one thing; leveraging it to generate value is another. Entrepreneurs who make the most of their data find ways to turn it into something profitable, whether creating a new product, improving upon existing services or selling data to other businesses. Whatever the method, laying the groundwork for transforming information into revenue is vital.

Finding success in the business world takes more than fitting data into an existing business plan. It requires incorporating data into a company's very foundation, beginning with the creation of a well-planned, data-driven business model. ▲

Asha Saxena (YPO Global One) *is the president and CEO of Future Technologies Inc., a data management and analytics firm based in Plainfield, New Jersey, USA. Contact Saxena at ashasaxena.com/contact/ to have her speak at your next event or conference.*