Profiting from Data Marketplaces

Data is the lifeblood of the modern economy. Its availability is surging, enabling organizations to derive unprecedented value. These days, the ability to benefit from data is limited solely by an organization's expertise and determination to innovate.

Marketplaces specializing in data trading have become essential intermediaries. They supported some $3-5 billion in sales in 2022, according to Outsell.[1] The sector is experiencing robust annual growth of 15%, propelled by AI, cloud technology, sophisticated analytics, enhanced data literacy, and the increasing variety of data sources.

Below, we provide an overview of the industry, how companies can profit, and how Think Data Group may help.

The State of Data Marketplaces

Data marketplaces have matured dramatically since the late 2010s. They now offer data on a global scale and in a form to support virtually every industry and potential use case. The marketplace ecosystem comprises a network of diversified platforms designed to facilitate data buying, selling, and utilization.

Unlike in the past, when data was dispersed and difficult to obtain, marketplaces now allow sellers to present their offerings in an organized manner and buyers to efficiently search, discover, compare, purchase, and receive delivery of data from a variety of premium sources. Marketplaces also enable data providers to partner with one another to create new products and use cases.

Additionally, data marketplaces provide sophisticated tools and services that enhance the value of the data they host. These include:

- **Data aggregation and cataloging** to facilitate discovery
- **Quality assurance and validation** to ensure reliability and consistency
- **Compliance** to confirm adherence to GDPR, CCPA and other regulations
- **Analytics** to help users derive insights

Types of Marketplaces

Data marketplaces come in many forms, but generally fall into the following categories:

Or

Public	Private
- Open to everyone - Data is publicly available - Generally broader and less refined - Less expensive or free - Examples: Kaggle, Data.gov	- Access is restricted. - Data is sensitive or proprietary - Tends to be narrower in focus, and may be designed to address specific needs, KPIs or questions. - More expensive - Examples: LiveRamp, S&P Global, Dun & Bradstreet

Or

Horizontal	Vertical
- Serves a broad market - Uses are general (e.g. geolocation, imagery, video, weather) - Examples: Snowflake, Datarade	- Serves a niche sector or narrow interest (e.g. ESG) - Uses are focused/targeted (e.g. automotive, healthcare, AI for science and technology) - LiveRamp, Datavant

Data Marketplace Players

There are many ways to profit from data marketplaces, but having an effective monetization strategy is essential. There is no one-size-fits-all; the strategy must be carefully tailored to the unique needs of sellers, operators, and/or buyers. Below are some general considerations for each group.

+ Sellers – Generating Revenue from Data

Data can be lucrative, but it's a product like most others. It does not sell itself. It requires productization, marketing, and active sales efforts. Our research and experience have identified key revenue options, strategic opportunities, and monetization imperatives that are integral to success:

Key Revenue Options:
- Data licensing
- One-time deals
- Custom projects
- Retainers
- Revenue sharing arrangements.

Strategic Opportunities:
- Licensing deals to generate annual recurring revenue
- Diversifying sales channels
- Tapping novel distribution channels for hard-to-reach markets

Monetization Imperatives:
- Productizing and positioning data
- Identifying new partnership opportunities
- Creating diversified distribution

Think Data Group's Digital Audience Co-op helps data sellers develop and execute their go-to-market strategy. Using a cooperative revenue-sharing model, we dramatically reduce the often-prohibitive cost of listing data on marketplaces. We can also help place your data in a lead generation marketplace, or in a marketplace where people can sample and test it.

We actively drive your success by leveraging our extensive experience in data monetization. This includes transforming your data into marketable audiences and segments, strategically positioning them, and ensuring visibility among engaged buyers. Please contact us for more information.

The data ecosystem offers a large and growing variety of platforms to serve buyers and sellers. Operators compete on quality of curation, ease of use, and the utility and uniqueness of their platform. Most importantly, an operator must attract a critical mass of buyers and sellers relevant to its offerings, to create a vibrant, lucrative market.

Key Revenue Options: Operators earn income through fees, commissions, and licensing agreements from buyers and sellers on the following:
- Data access and use
- Sellers' listings
- Buyers' transactions
- Analytical services
- Computation
- Data storage
- Subscription and service fees

Strategic Opportunities: Data marketplace operators can add value by:
- Delivering access to differentiated horizontal and/or vertical data to boost margins
- Improving transparency to build trust with buyers and sellers
- Helping users find specific datasets via filtering, advanced search, and metadata tagging
- Offering AI and SaaS tools allowing users to extract insights
- Enabling users to combine first- and third-party data
- Providing value-added analytical and technical services
- Consulting to help buyers and sellers use the marketplace effectively
- Serving unique markets, like academic or healthcare research, with new licensing models
- Allowing the platform to be integrated with other sites via APIs

Monetization Imperatives:
- Using SEO to ensure the data is discoverable
- Offering differentiated data and services
- Validating data quality
- Simplifying onboarding
- Streamlining contracts
- Ensuring privacy and regulatory compliance

+ Buyers – Powering Insights, Growth and Performance

Organizations buy data from marketplaces for many reasons. They often seek to profit by understanding their customers better or uncovering new trends. Data can help them manage risks, operate more efficiently, or gain competitive advantages over less data-savvy competitors.

Why Buyers Use Marketplaces:
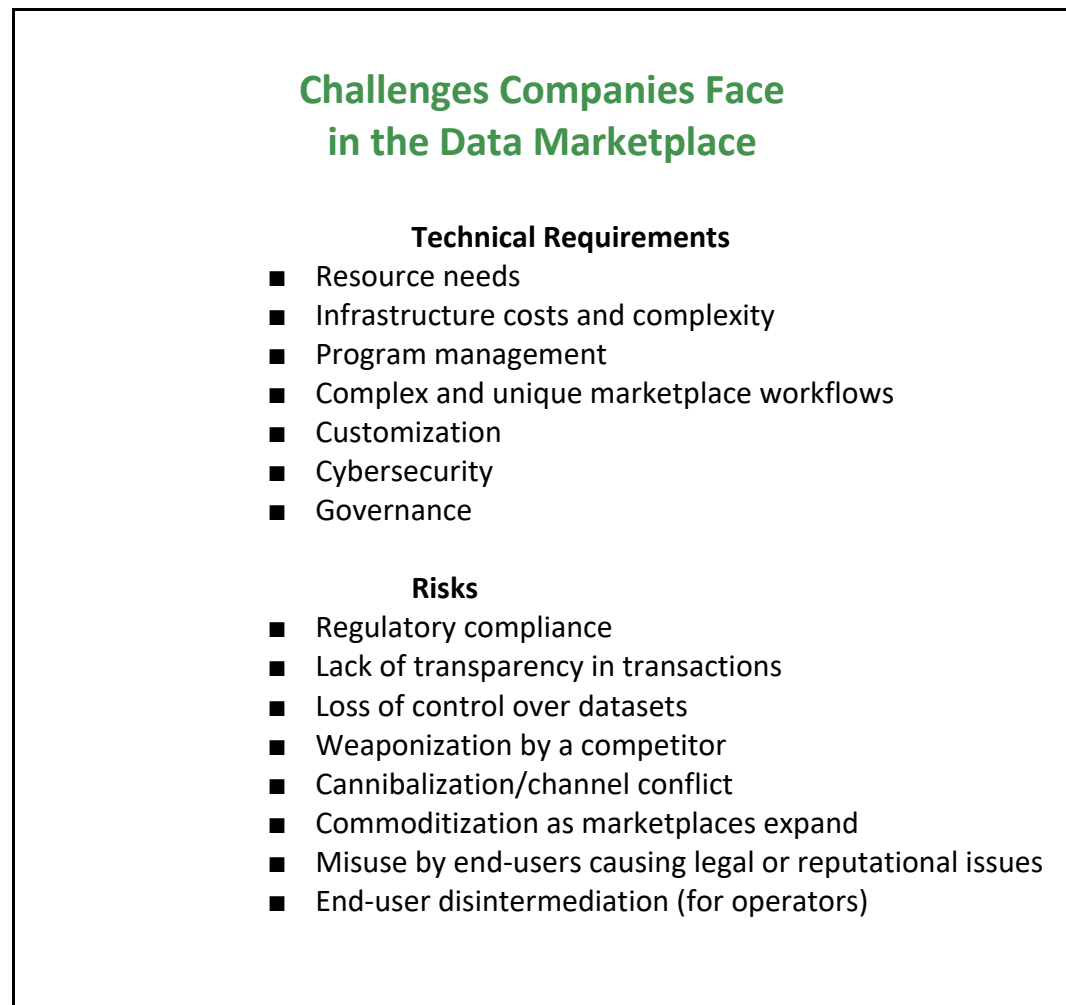- Find and obtain difficult-to-acquire data
- Create new solutions by combining datasets
- Replace non-sustainable data with reliable sources
- Meet internal and external client needs

Advantages of Marketplaces
- Convenient and efficient discovery and acquisition of multiple datasets
- Economical option for infrequent purchases
- Ease of licensing multiple datasets
- Streamlined contract terms

Requirements and Risks

Trading data on marketplaces can be complex and expensive. The ecosystem consists of a wide array of distinct and fragmented platforms, each with unique specialties, constraints, benefits, and drawbacks. Additionally, participants must navigate various risks and technical complexities (see figure).

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Challenges Companies Face
in the Data Marketplace

Technical Requirements
- Resource needs
- Infrastructure costs and complexity
- Program management
- Complex and unique marketplace workflows
- Customization
- Cybersecurity
- Governance

Risks
- Regulatory compliance
- Lack of transparency in transactions
- Loss of control over datasets
- Weaponization by a competitor
- Cannibalization/channel conflict
- Commoditization as marketplaces expand
- Misuse by end-users causing legal or reputational issues
- End-user disintermediation (for operators)

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Buyers, sellers, and marketplace operators can all profit, assuming they have carefully weighed the challenges and developed an astute monetization strategy. This demands extensive market experience or assistance from a seasoned industry participant.

We would love to start a data-related conversation. Email us at
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