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Three Strategic Musts for All Alternative Data Providers



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What should a firm with a unique data product do to get its product on the desktop of clients? Here are three suggestions from Bruce Fador, founder and managing partner of Fador Global Consulting Group, that explain what a firm should do. For startups, Mr. Fador says, it is critical they go to market with their eyes wide open.

Do you have unique data (or think you do) and are looking for the best way to package, position and price your data in order to sell to hedge funds, corporations or investment banks? Have you thought of consulting firms or private equity firms as potential buyers, too?

Before you rush off to hire a sales team, subscribe to HubSpot and start creating marketing materials, allow me to make a suggestion…do your homework! Who are the best potential buyers and how much work do you have to do to make your unique data interesting, compelling, and ultimately consumable for these buyers?

This approach seems pretty basic and I am still surprised when a firm invests in a sales team as their first order of business. This particular plan of attack is very expensive and there are companies that have even gone so far as to invest in creating API's before they've established an understanding of how the buyers want to consume the data! With excitement as their primary guide, and the smell of new revenues, it's ready, set, go and start dialing for dollars. Really?

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Before digging deep into sales, please consider the following three courses of action:

1.) It's important to first identify that what you have is truly unique. You need to define who will benefit from your offering and how they will leverage this data. Without this core understanding, you will be shooting in the dark without even a miner's light to guide you. My suggestion is to assign the task to yourself, to someone inside your company or hire an outside firm to conduct basic due diligence and exploration before investing significantly in headcount. Let me be clear; I am not suggesting that you skip conversing with your potential buyers — these conversations are also critical and vitally important to your company's success. All of the segments mentioned above are interested in unique and alternative data. They will take your salesperson's call but without some knowledge of what they will find or knowing some of the questions a prospect will need answered, it will be a short conversation.

2.) You have something hot and in demand, but do you know how to price it to maximize revenue potential? How do you package it in such a way that doesn't exclude other end users who might be up or downstream from your first buyer? Perhaps you could provide a premium level of access then expand the market by doing a timed release? Or how about pricing by the amount of data consumed or the number of fields you offer?

3.) Once you've acquired the above knowledge and insight, it's time to determine the best way to go to market. You might consider third-party channels or direct sales. Perhaps it's best to marry your data with a data science focused firm to provide really powerful analytics?

I recently worked with a firm who had truly unique data that was not available anywhere else. When they first went to market, the company charged millions to just a handful of clients. It wasn't made available to any other buyers unless you stepped up to write a big check. They had less than 5 clients…sounds awesome right? In reality, it blew up in the company's face. You've heard of concentration risk, lots (or all) of your revenue coming from a small number of clients? Lose 1 or 2 and things get bad quickly. Well, that is exactly what happened; the price was so high and the expectation so great that they were always in the crosshairs of the client's budget. They ended up attempting to pivot, ultimately ending in a wind down. Sadly, this was one the most unique datasets I have seen provided in real time with some truly interesting insights for multiple audiences. The end result was incredibly disappointing.

In sum, selling data is a great new revenue source for some of you and in many cases, it's already your bread and butter. But do the homework, do the research, and run the analysis before investing your hard raised (or earned) capital. It's critical that you go to market with your eyes wide open.

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Bruce Fador is the founder and managing partner of Fador Global Consulting Group, a consulting and advisory firm he launched 10 years ago that helps companies to develop and execute strategies that accelerate their next phases of growth with a focus on sales. Before FGCG, Bruce held several chief executive officer positions, most notably as CEO of Thomson First Call. Under his leadership and guidance, Thomson First Call grew its core revenues from $18M to $120M and formed a strategic alliance within other Thomson divisions that drove growth of an additional $80M in new revenues. Bruce also served as CEO and president of WorldStreet, an innovative Fintech start-up where he led successful funding efforts, raising $57M from both venture and strategic investors, and oversaw the sale of its assets to then Thomson Financial now Refinitiv. Bruce has held several other executive positions as a CEO and CCO in various research and data companies. Throughout his career, Bruce continues to serve as a Board member, strategic advisor, or consultant to numerous leading capital markets, research, and FinTech firms.

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