

Want to Leverage Big Data? Find a Head Start



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Newspaper executives who lobby for “data ownership” confuse an asset’s importance with a need to control it directly.

The advent of Big Data has brought with it a number of accelerating trends that has been almost too quick to comprehend. One of these has been the increasing belief that newspapers need to “own their data”, which is to say that data (or at least the right data) is so valuable (when used properly) that it should never be allowed to leave the confines of a newspaper’s data system, since handing off that data to a third party somehow transfers power and influence to that third party and undermines a newspaper’s long-term health and power. However, this conclusion is misguided. In fact, there are several compelling reasons why newspapers should strongly favor turning to third party vendors that manage their Big Data.¹

Most newspapers do not have the ability to capture on their own this type of value potential through Big Data. Why would this be the case?

Let’s begin with one obvious truth that existed long before Big Data became a catchphrase: time is money. For every day, week or month that goes by, improvement opportunities are available that, if left uncaptured, are like seeing a twenty dollar bill on the ground and not picking it up. If the money is there, why not pick it up, especially when newspapers are looking for dimes and nickels wherever they can find them? If you read my January 28th blog post called, “*Keep that New Year’s resolution to lose those extra pounds (in your subscriber acquisition budget)*”, you might remember a concept I referred to as the *Cost of the Status Quo*. In that post, I talked at length about how newspapers are leaving money on the table every single month they let pass without explicitly optimizing their acquisition and retention activities. The amount varies from one newspaper to the next, but our experience with top 50 newspapers in North America suggests that the value left on the table is \$50,000 - \$250,000 per month. For every month that goes by without optimizing, newspaper executives are effectively walking past a sackful of money on the sidewalk. Every single month. Can you afford to do this? Probably not, and the longer you wait, the more sacks of cash you are passing.

Why is this important? Because it is connected to one of the major drawbacks associated with “owning your data.” Namely, most newspapers do not have the ability to capture on their own this type of value potential through Big Data. Why would this be the case?

First, true circulation optimization requires a unique blend of staffing resources that is often “siloe” within different divisions of newspaper companies, thus making it difficult to integrate this personnel into a cohesive unit in a short period of time (remember, time is money). At Impact Consultancy, our experience suggests that the following newspaper personnel –

¹ Or more accurately, the right third party vendors.

at a minimum – need to be integrated into an effective team for true systemic circulation optimization, not just on an ad hoc basis but on a systematic, quasi-permanent basis:

- Senior level strategists
- Mid-level channel and vendor managers
- Junior data analysts
- IT report developers and administrators.

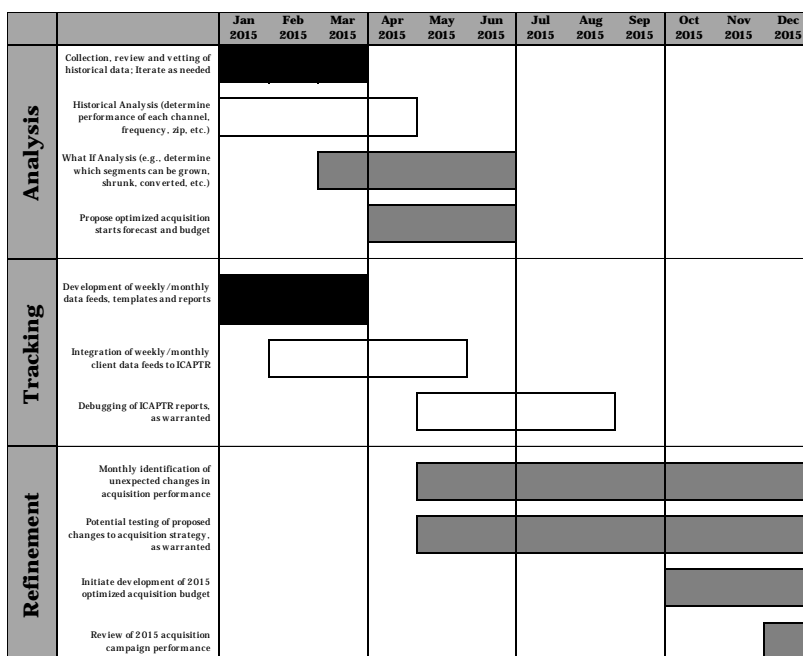
Integrating and coordinating these resources on a regular, consistent and frequent basis within an organization (the “Home Grown Approach” to Big Data) is not only logistically difficult, it is often impossible since some of these skills no longer exist at some newspapers (i.e., layoffs). Or maybe some of those skills were never there, because they were not needed when times were so healthy that any strategy was a profitable one (remember those days?) And even if some of the skills currently exist at your newspaper, it is relatively time consuming and expensive to bring them together in a cohesive fashion. “Relative to what?” you might ask. Relative to outsourcing.

If it is a race to value capture between a client’s “Home Grown” approach versus our own, we will always win, if for no other reason that we have a massive head start.

In contrast to the “Home Grown” approach, outsourcing is much more time efficient. While I can’t speak for other third party vendors, we at Impact Consultancy have developed the tools and knowledge over many years and numerous clients, both in and outside of the newspaper business, to drive to the capture of value as quickly as possible. Tools such as:

- Programming code: we have written tens of thousands of lines of code that can parse through massive data sets for exactly the right calculations at the right level;
- Methodologies, techniques and analytical approaches: although there are dozens of ways to approach such a complex task, some approaches work much better than others;
- Quantified performance benchmarks: being able to compare your performance to other newspapers provides invaluable context and relative understanding.

As a result, we know when and how to avoid the process and methodology landmines in such a complex undertaking. As a result, if it is a race to capture value between a client’s “Home Grown” approach



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versus our own, **we will always win, if for no other reason that we have a massive head start.** We drive to the capture of value very quickly, usually within one month after being granted access to extract and validate our client's Big Data. It is not a fair fight, so why bother trying?

Returning to the axiom that "time is money" reminds us that driving to the capture of value more quickly means that it is far more cost effective to outsource this capability than it is to build that capability internally. Again, I cannot speak to other third party vendors, but Impact Consultancy's annual fees are usually less than what it would require for a newspaper to hire even one full-time staffer with moderate experience. To repeat: **as vendors, we have a huge head start over you.**

If you are still skeptical about the value of outsourcing, consider the following analogy: Let's assume that you have been in strong health for many years, but as of a few years ago your health started to falter due to rapidly changing external circumstances (does this sound like any industry that you might currently be working in?) Let us assume that you know there is something wrong with your health but you don't know how to fix it. What would you do? Would you:

Apply to and attend medical school and complete your residency in order to develop your own expertise "in house", and then self-diagnose your health problems because your health is so important to you that you can't risk outsourcing it to someone else?

Or would you:

Call the best doctor that you can afford, then listen carefully to his "outsourced" advice?

This example crystallizes the fundamental flaw of those who argue that Big Data must be owned by the newspaper. Newspaper executives who lobby for "data ownership" confuse an asset's importance with a need to control it directly. Not only is this fundamentally untrue, it is extremely dangerous to your health... and to your newspaper's health.

So if you think you have cancer, you don't apply to medical school. Instead, hire the best third party vendor (i.e., doctor) you can find. The holds true for your Big Data needs.

So if you think you have cancer, you don't apply to medical school. Instead, hire the best third party vendor (i.e., doctor) you can find. The same holds true for your Big Data needs. The best thing you can do for your business' health is identify and hire the best specialist you can and follow their counsel, based on their years of experience with other patients.

Remember: look for the head start. We know what we are doing.

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