

How monetizing
supply chain data
can drive new
revenue streams

The EY logo consists of the letters 'EY' in a bold, white, sans-serif font. A yellow triangle is positioned above the 'Y', pointing downwards towards the letters.

Building a better
working world

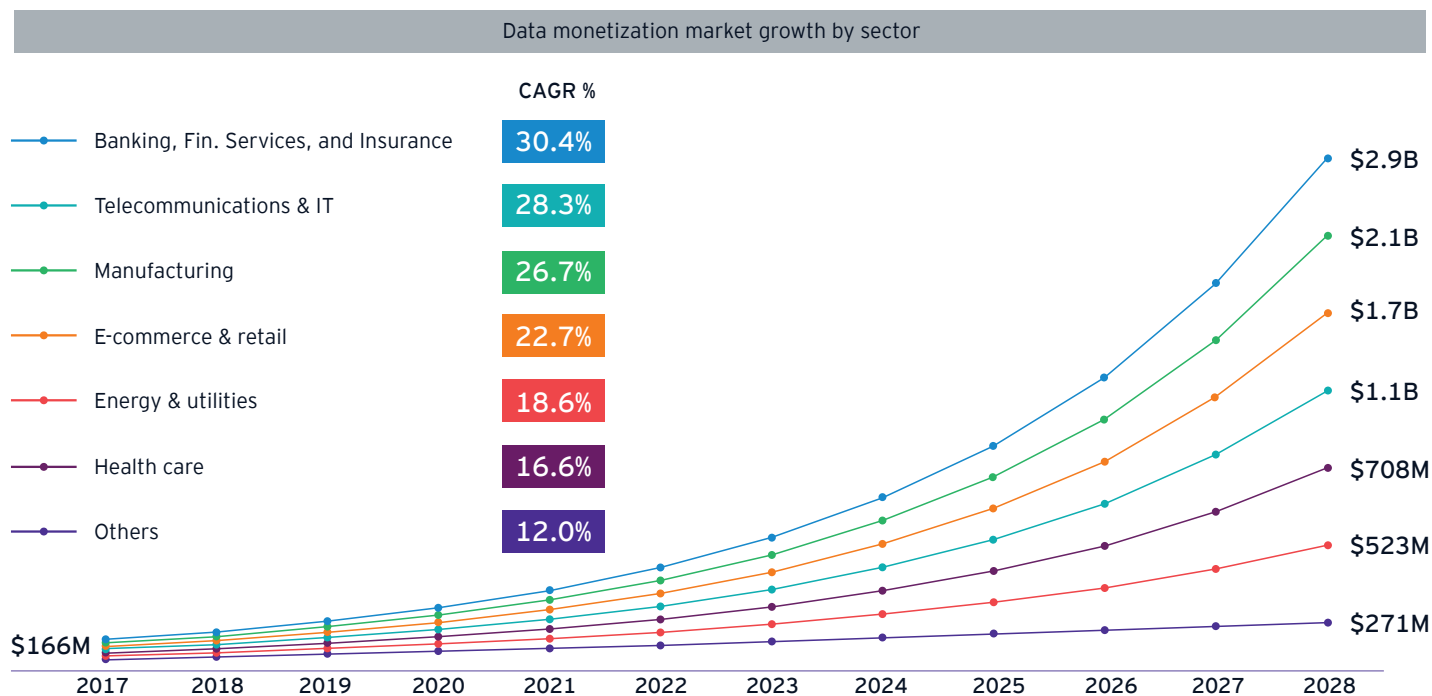
Remember when data was simply a by-product of daily business operations? Simple measures and metrics to chart sales, monitor progress and track inventory. Not so in today's data-driven economies where escalating customer expectations and high-stakes competition demand maximum visibility over every aspect of an entity's operations. To streamline processes and improve efficiencies, organizations are investing heavily in new and expansive data initiatives, including analytics and generative AI (GenAI) solutions. While these investments are mission critical, many organizations don't realize that the availability of new, rich and analyzed data can provide monetization opportunities that both help justify the investment and create new revenue streams for organizations.



Growth of data monetization

Many companies expose their data to partners, external companies and consumers for free or implicitly as part of their daily operations. However, monetization opportunities exist in packaging both raw supply chain data, analytics outputs, as well as access to high-value data models and algorithms. In fact, the growth trajectory of the data monetization market is fast moving and compelling, offering value across industries with 12-year growth rates as high as ~30% (see Figure 1). EY analysis estimates that the global market could be nearly \$10B by 2028. Companies that recognize this monetization opportunity can strengthen their business case for the initial data investment, create new revenue streams and improve collaboration within their organizations.

Figure 1: Across all industries, the monetization of data assets is growing



Source: Secondary research; EY analysis

Several key drivers are contributing to the market growth of data monetization. These include use of data processing and transformation; increased data volume; lower data storage costs; and use of advanced technologies, such as the Internet of Things, GenAI and big data analytics. Similarly, the value outcomes for data and analytics are equally compelling, including:

- ▶ Improved customer experience
- ▶ Strengthened integration with partners and suppliers
- ▶ Increased transparency and automation across the supply chain
- ▶ Development of new strategies and market opportunities
- ▶ Generation of new revenue streams
- ▶ Improved business decisions
- ▶ Helping develop vital and reusable advanced analytics capabilities

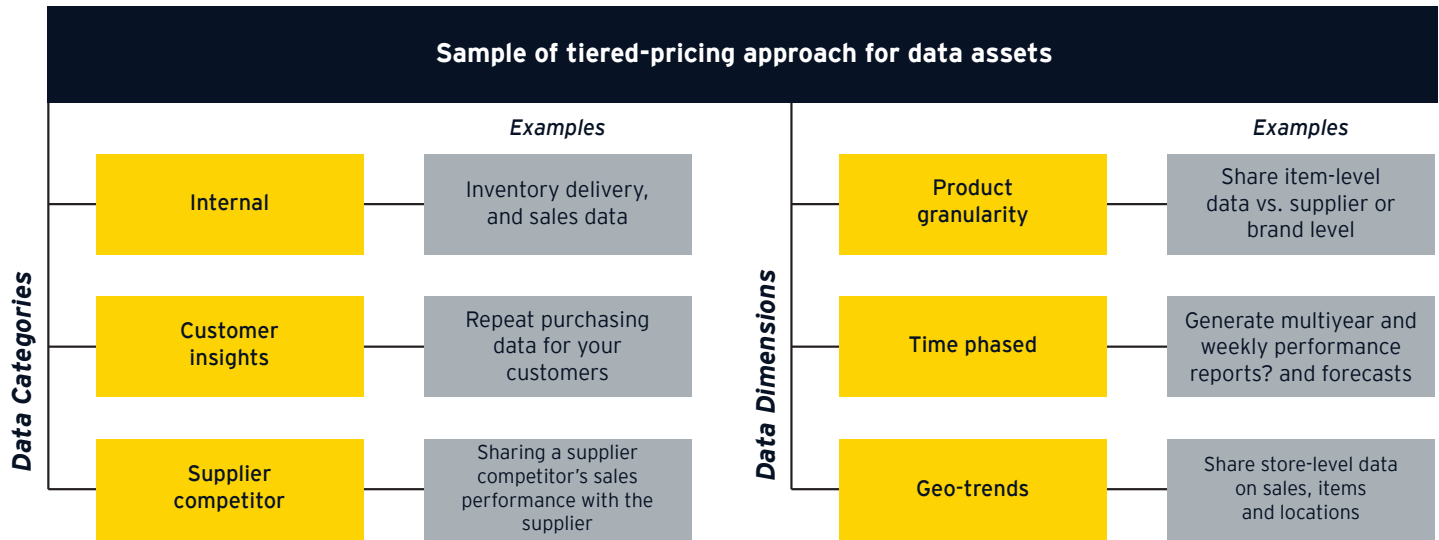
Defining your monetization offering

Once you've decided to capitalize on the opportunity to monetize your data, what do you do next?

Start by defining who would benefit from your data and analytics. An easy place to begin is finding out whom you are already sharing data with outside of your organization, as these are already existing data customers – they are just not paying for data access currently. Next, look at the major players in your value chain. Who could increase their revenue or reduce costs by gaining deep insights into your business and operations? Think creatively on behalf of your potential data customers. Could they generate additional or new business with better insights from your data? These customers may be upstream, downstream or adjacent to your organization, or even competitors. Figure 2 shows several examples of the kinds of data that could be valuable to your customers.

While sharing certain data is imperative for basic business collaboration, indiscriminate or excessive sharing without a discernible strategy or benefit should be eschewed. Conversely, consider selectively sharing advanced algorithms or proprietary intellectual property with noncompeting entities within your sector or adjacent sectors. Furthermore, contemplate various pricing strategies – such as subscription-based models, tiered pricing or pay-per-use – that dovetail with your offerings and complement your overarching relationship objectives with business partners.

Figure 2: Monetization data examples span several categories and dimensions



In a recent case involving an industrial company, the advent of a novel analysis platform proved instrumental in evaluating the worth of its potential data offerings and delineating future actions. Developed by a prominent manufacturer, this open-source platform empowers manufacturers and utility companies alike to harness data for predicting equipment maintenance needs. Beyond merely furnishing data, providing a value-added service such as this presents an avenue for augmenting revenue streams through data monetization.

Case study: Leading US retailer deploys direct data monetization with product suppliers

A leading US retailer introduced a pioneering data platform poised to transform its retail data analytics. The platform offers suppliers a powerful capability for analytics and reporting, as well as insights into sales, inventory promotions and more. It aims to streamline collaboration by providing a single version of the truth for both supplier and retailer teams. One key challenge, however, was how to strike the balance between offering valuable analytics and doing so at just the right cost. The answer was found by creating several pricing tiers (Figure 3) to cater to different supplier needs.

Figure 3: Retailers monetizing supply chain data will charge fees for basic insights but make more significant revenue from advanced insights, customer data and machine learning models

Sample of retailer tiered-pricing approach

	Basic	Tier	Data and insights unlocked	Key enablers
Basic	\$, \$\$\$	Basic performance visibility	<ul style="list-style-type: none"> Item-level data, including inventory, in stock, forecasts, POS and PO delivery High-level supplier performance Category growth data 	<ul style="list-style-type: none"> Basic supplier portal for data access Data security
Bronze	\$\$, \$\$\$	Enhanced performance reporting	<ul style="list-style-type: none"> Granular, SKU-level data and expanded data sets, including promotions, forecast history and safety stock Pre-built reporting views, including supplier scorecards, promotion performance and inventory lifecycle management 	<ul style="list-style-type: none"> Upgrade supplier portal with dashboards linked to supplier data lake
Silver	\$\$\$,\$\$\$	Advanced analytics and collaboration	<ul style="list-style-type: none"> Directed root-cause analytics Additional collaboration capabilities, including integrated constrained planning and demand forecasting 	<ul style="list-style-type: none"> Advanced analytics capabilities Integrated planning capabilities
Gold	\$\$\$,\$\$\$+	Full analytics, portal and data access	<ul style="list-style-type: none"> Access to retailer predictive analytics models and systems Data sets augmented by outside data and dimensionality reduction models Co-development models and environments for building, testing and training on retailer, supplier and external data sets 	<ul style="list-style-type: none"> Predictive analytics capabilities Advanced portal and open-source data and code-sharing platforms Strong analytic and machine learning skills

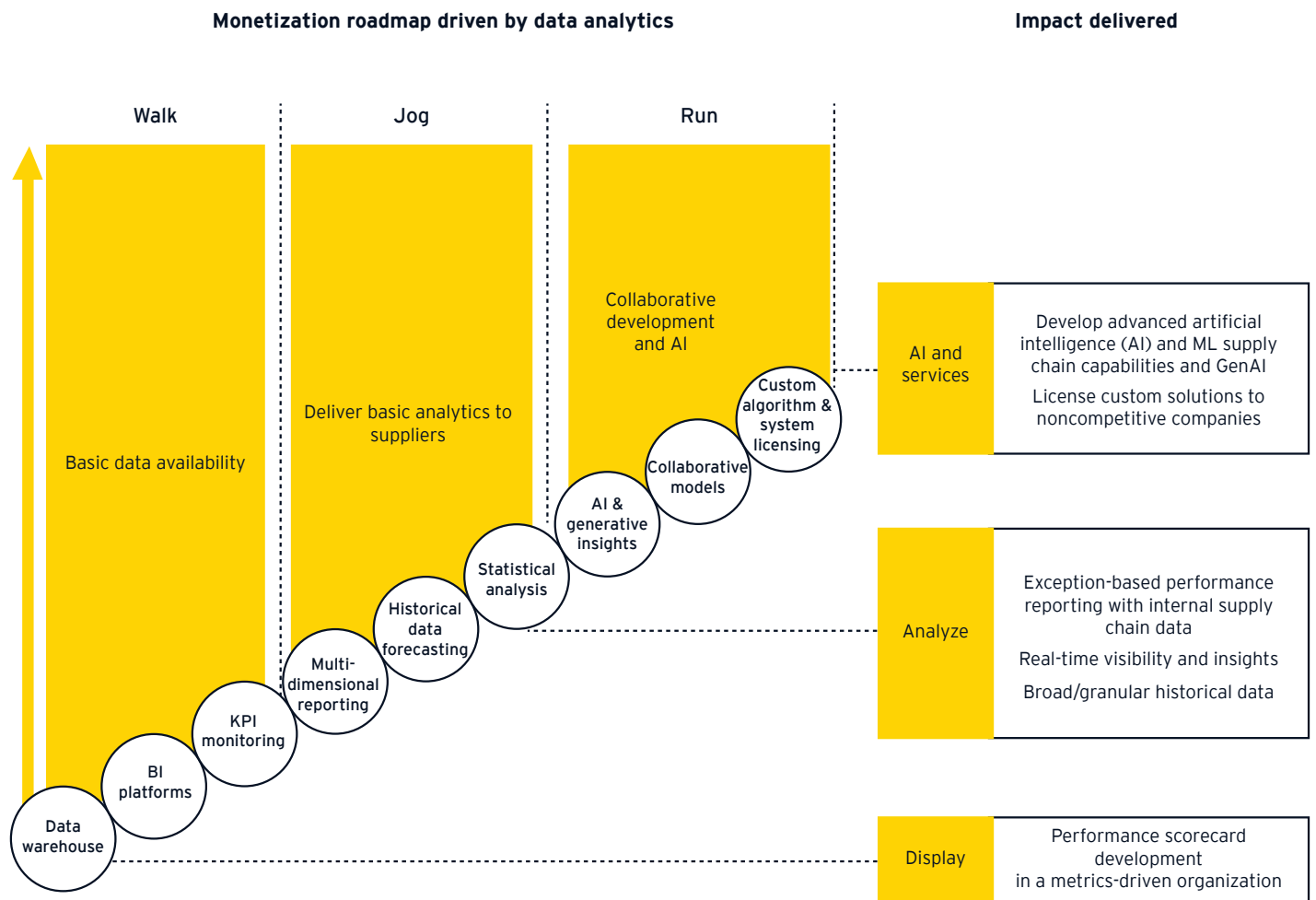
Large, well-financed suppliers, who subscribed to data, received unparalleled insights into products, members and categories, creating revenue for the retailer while providing invaluable information to suppliers accessing the data. Smaller suppliers faced a high price tag for upper-tier packages and, in some cases, had to make difficult decisions, resulting in less comprehensive data access. While larger enterprises may find immense value in the platform, smaller suppliers are able to choose more limited options that can still provide relevant insights for their business, enabling monetization across tiers.



Capabilities required for executing a supply chain monetization strategy

Once your organization defines your data offering, it is critical to build out the underlying capabilities that will enable you to produce and share the data you are selling. This build-out is a journey, taking time to move through the walk-jog-run stages and priorities outlined in Figure 4 and below.

Figure 4: Data analytics maturity drives increased monetization benefits and impact



Foundational capabilities that lay the essential groundwork for data monetization:

- ▶ **Supplier portal:** a user-friendly platform for data and insights access and exchange is required. For instance, an automotive manufacturer launched a supplier portal where data related to production schedules, inventory levels and quality control metrics were shared with suppliers. This allows the manufacturer's suppliers to align operations closely with the company's requirements.
- ▶ **Supporting data infrastructure and security:** enterprises must invest in a secure, scalable and compliant data infrastructure. Ensure critical data security measures are in place for external data sharing across all your data customers. There are a variety of providers in the marketplace to choose from, including large-scale, cloud-based vendors and independent software vendors (ISVs).
- ▶ **Basic data quality assurance:** be sure to implement rigorous data quality checks and validation processes to ensure the reliability and accuracy of the data you are offering to suppliers. If suppliers are paying for data, it must be accurate.

Enhanced monetization capabilities – enhance your monetization offering by providing more valuable insights and services:

- ▶ **Insightful reporting:** offer valuable, intuitive and tailored analytics to allow your data customers to extract actionable insights. This will streamline their operations and unlock significant value vs. a more basic monetization offering with mass data exports. As reporting capabilities evolve, it is essential to strike a balance between granularity and simplicity, providing a holistic view of supply chain performance while ensuring accessibility for stakeholders with varying levels of analytical expertise.
- ▶ **APIs:** the enablement of automated high-volume data exchanges allows data customers to consume your data and analytics models efficiently at scale. For example, a leading retailer created an API-enabled data product marketplace that allows suppliers to interface directly with their external-facing data layer to consume raw data for their own analytical views.
- ▶ **More granular and historical data:** you may wish to offer entry-level data customers basic data access to run their business, however, increasing depth of data may drive additional insights and unlock new use cases. For example, a global logistics company provides its customers with comprehensive historical data on its supply chain, including real-time delivery tracking for better operational planning instead of simply an anticipated date of delivery.



Advanced monetization and integration – share leading analytical capabilities and data models:

- ▶ **Advanced analytics and GenAI:** consider monetizing the advanced analytics assets that you have developed. For example, you may have ML and AI algorithms that your channel partners could benefit from – this includes the data and the algorithms.
- ▶ **Open-source innovation and co-development:** provide capabilities and platforms to develop programming source code, new innovative algorithms and ML models with data customers to further drive the build-out of key capabilities and value delivered by advanced analytics models.

How to start a supply chain monetization strategy

To kick-start your journey toward supply chain data monetization, follow these steps:

- ▶ **Define your company's data customers and value propositions:** ensure you have a clear offer to your customers that creates value for both them and you.
- ▶ **Create a capabilities roadmap:** develop a roadmap that outlines the key capabilities that you need to support a data monetization program. Consider the sequence of implementation, dependencies and time frames. Ensure that this roadmap aligns with your organization's broader strategic goals and priorities.
- ▶ **Develop a clear business case:** craft a compelling business case that outlines revenue potential and benefits of data monetization. Include a detailed financial analysis, showcasing the return on investment (ROI), potential revenue streams and the impact on the bottom line. Seek approval from relevant stakeholders, including executives and finance departments.

Summary

Accumulation of data and development of monetization is a relatively nascent portion of most organization s' operating models. Prior to the development or initiation of any project, several critical questions need to be asked. Which portion of the organization will own this monetization effort? What is the scope of resourcing and rate scaling of those resources? What security considerations will we need to evaluate if third parties will need access to our data? And how long, and in how many stages, do we need to develop our monetization portfolio? If these questions and others aren't carefully considered, organizations may inadvertently pursue inefficient development of a monetization strategy at best and could develop a solution in which, at worst, no data customer is interested. External resources that have prior experience in developing monetization strategies can be an invaluable asset, especially if consulted prior to the development of your roadmap.

Unlocking revenue potential through supply chain data monetization requires a well-thought-out strategy that considers the organization's data customers' needs, its capabilities and the evolving competitive landscape. But by following the right steps, organizations can seize the opportunity to harness the power of their data to create new revenue streams that increase profitability and enhance their competitiveness in the marketplace.

Authors



Parag S. Jategaonkar
Principal
Ernst & Young LLP



Christian P. Hagen
Principal
Ernst & Young LLP



Kevin Fischer
Manager
Ernst & Young LLP



Nitesh Singh
Manager
Ernst & Young LLP

EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

Ernst & Young LLP is a client-serving member firm of Ernst & Young Global Limited operating in the US.

© 2024 Ernst & Young LLP.
All Rights Reserved.

US SCORE no. 23836-241US

2405-4534250

ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, legal or other professional advice. Please refer to your advisors for specific advice.

ey.com