

SECURITY

HOW TO EARN THE DATA PREMIUM



As breaches grab headlines, many companies see data as a liability. But investors value businesses that have a clear strategy to manage data. Report by Brunswick's MARK SEIFERT, SPARKY ZIVIN and JAMAAL MOBLEY

Corporate data is increasingly the currency by which businesses are valued in the 21st century. The cloud has become an arena where both companies and nation-states face competitors, just as they do in the physical spaces of land, sea and air. As the amount of data and the sophistication of analytical tools increase, so do their value to stakeholders, increasing pressure on all sectors to develop a coherent, compelling and transparent corporate data strategy. In addition to demonstrating value, how a company treats, protects and uses its data is central to its reputation.

To be sure, data also poses its own set of risks. Breaches of a company's network or information security, including hacks

and leaks of sensitive data, present major problems for corporations, dominate headlines and can drive significant stock price declines. Regaining pre-breach valuations remains a serious challenge even six months after the event, as Brunswick's analysis, shown in the chart below, demonstrates.

Reacting to the possibility of such a scenario, some companies see corporate data as a public relations liability. They are hesitant to communicate the value of the troves of data that they amass, fearing a public backlash driven by privacy and security concerns. Yet from an investor standpoint, that hesitation is misguided.

Far from recoiling from the complexities of corporate data, investors strongly value the opportunity to monetize the data that companies hold, as shown in a Brunswick survey of more than 200 professional investors across the US, Europe and Asia (see graphic on the next page). The research shows that

companies should not wait to create a comprehensive data strategy – the right time is now. The number of investors weighing data opportunities against risks when making investment decisions is growing dramatically and involves businesses in all industries, not only Silicon Valley companies. Investors who believe the current focus on corporate data is a passing fad are a dwindling minority. More than three-quarters of polled investors say that over the past two years, a company's ability to monetize data has become increasingly important.

BRUNSWICK RESEARCH identifies significant opportunities to increase value by including a data narrative in investor communications. This is especially true where sensitive consumer data is involved. Consumers are becoming more sophisticated in their attitude toward their own personal data and see this information as an investment

in exchange for benefits and services. Companies must prove to customers that the exchange is beneficial to them. Consumers also want to be confident that the information they decide to share will not be misused or stolen.

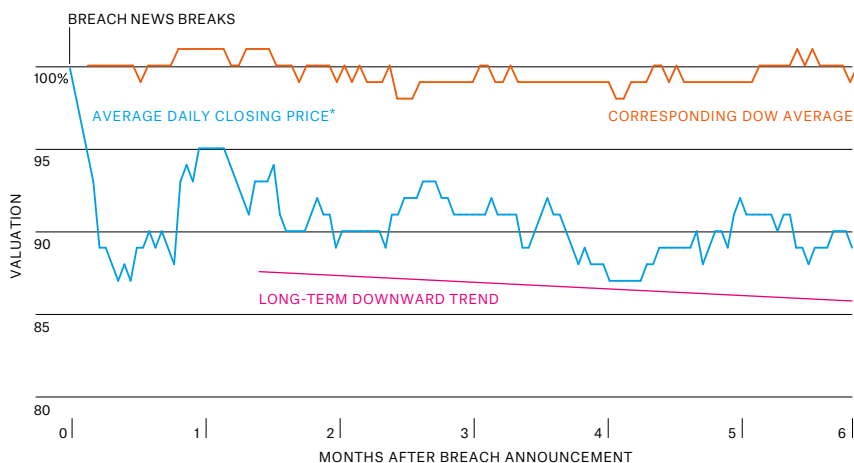
Building trust with consumers and investors is an absolute necessity in order to monetize data effectively. To prove they are responsible stewards of data, companies must explain how they collect and use it as part of their public communications. Simply preparing for a data security incident or even reacting responsibly when one occurs is not enough. Nor is it enough to merely list privacy practices for customers. A deeper, more fundamental engagement with all stakeholders is required, with data woven into the ongoing corporate narrative. Companies must develop and share their data stories.

Given the attention to this issue from investors, it is only a matter of time before we expect to see disclosure of corporate data usage with quarterly earnings announcements, as well as annual corporate data reports that highlight how data is being used to increase profitability through better customer products and services that improve efficiency, safety and security. Most importantly, investors will want to know how data is being used to identify new business opportunities.

Investment decisions are complex, and analysts and investors base decisions on disparate information across the business, assembling a mosaic that guides their choices. Companies should seize the opportunity to paint a compelling picture of their relationship with data. In addition to providing clarity, such a detailed view can help to distinguish a company from its competitors. →

IMPACT OF A DATA BREACH ON VALUATION

Drop in investor confidence lasts for months

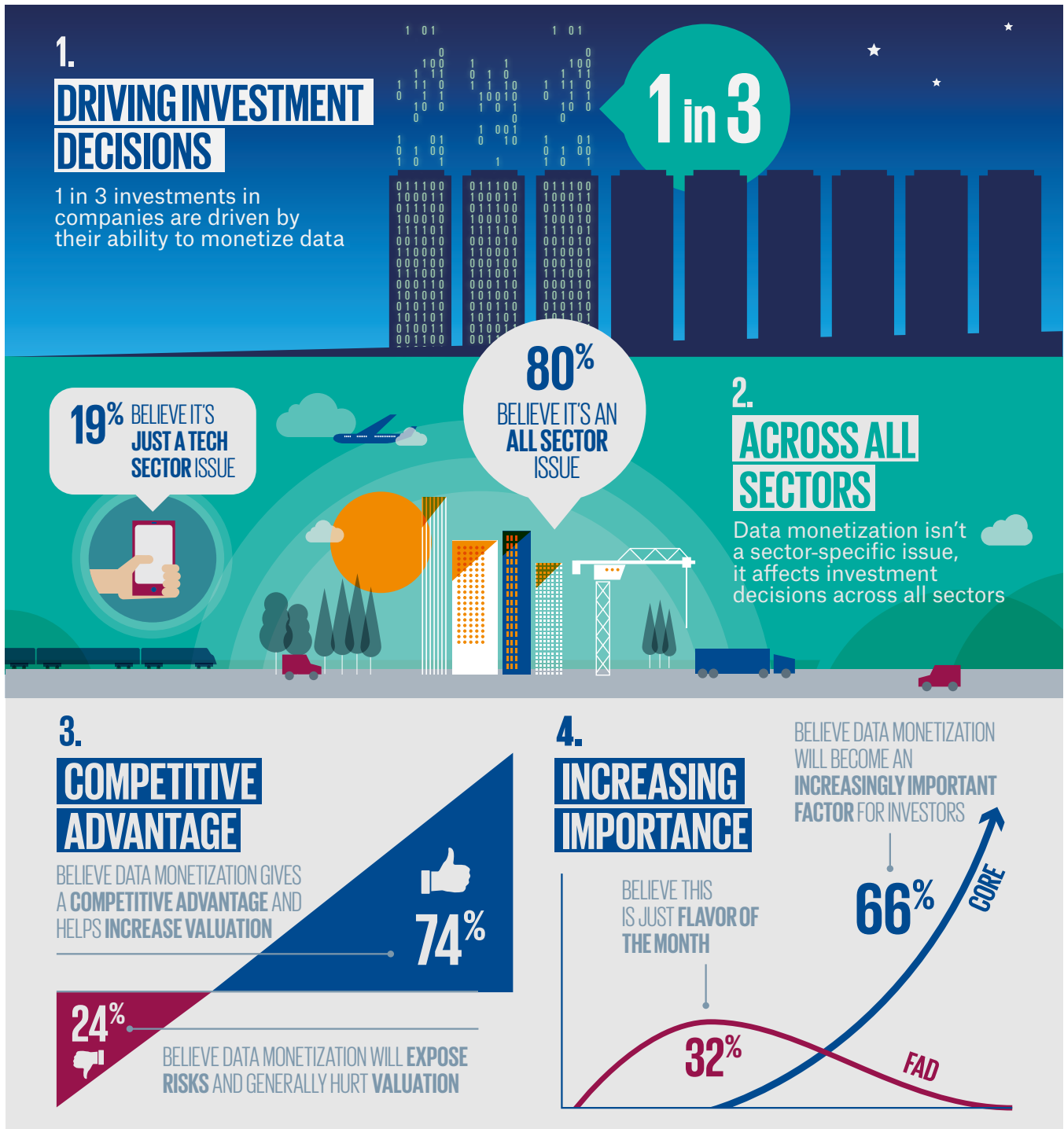


*AVERAGE SHARE PRICE FOR SURVEYED COMPANIES FOLLOWING BREACHES SUFFERED IN 2009-2013
SOURCE: BRUNSWICK INSIGHT

DATA: A VALUABLE ASSET

A company's ability to monetize its data has become a key factor for investors, according to our global survey of the financial community

BRUNSWICK INSIGHT is the strategic research function of the Brunswick Group. It provides intelligence for market-moving decisions and combines data-driven counsel with rapid research and analysis, and global reach. Insight converts research into strategic advice for communications programs and campaigns



When building a data narrative, the best approach is a calibrated, smart engagement plan that starts slowly and builds a foundation for future conversations. This creates good will and establishes credibility around a company's data story, especially if companies can begin interacting with stakeholders far in advance of a data breach or other serious security concern.

To begin this data conversation, businesses should focus internally on improving cybersecurity awareness among employees and develop a thoughtful and practical approach to handling data security. After that, the next step should be to talk with customers and partners about how the company uses data to make a difference for the customer and for the bottom line.

In response to the active public conversation about the use of data, companies will be wise to show

Companies will have to demonstrate that their use of data is not only good for their customers and businesses, but also provides a broader benefit to society

their strategy is not only good for their customers and businesses, but also provides a broader benefit to society. Think of this conversation as strengthening the company's "license to operate" when it comes to using data, especially consumer data. By demonstrating this wider value to society, a company can add nuance

and balance to a public conversation that otherwise might be trending toward unnecessarily restricting the corporate use of such data.

If a company tells its data story correctly, investors will award value, customers will better understand how they personally benefit, and the public will have a stronger and more sophisticated understanding of the business. Don't get mired in a debate solely about potential risks. In the end, it is far more important to show responsible handling and use of collected data. This will help win the trust of stakeholders and grow the bottom line.

.....
MARK SEIFERT, Brunswick Partner and **JAMAAL MOBLEY**, Associate, advise on corporate data, privacy and cybersecurity. **SPARKY ZIVIN** is a Director at Brunswick Insight, the firm's research and consulting arm. All three are based in Brunswick's Washington, DC office.

RULES OF ENGAGEMENT

How to create and communicate an effective data management strategy

KEEP IT SAFE

As with any asset, you should be able to demonstrate that you are protecting your data appropriately. Your cybersecurity protection efforts are an integral part of your story. But avoid saying too much or appearing overconfident. As many companies have discovered, boasting about your cyberdefenses is akin to waving a red flag in front of the hacker community.

KEEP IT FLOWING

Data is acquired through trust. If consumers or employees agree to share their data for one purpose, they may lose trust if they later discover it is being used for another. That can have a direct impact on the bottom line. Many consumers in particular will share their data with a company in exchange for some benefit or value. If your narrative depends on a rich flow of customer data, be open about how you use it. Happy, loyal consumers mean higher value.

TREAD CAREFULLY

The more sensitive the data, the higher the stakes, both in terms of revenue and scrutiny. Opportunities, such as using healthcare data to discover new treatments or using student data to create new education models, are profitable to companies and beneficial to the public. Inevitably, they will result in greater public scrutiny. Expectations around privacy will also change from one country to another. In each case, an awareness of the sensitivity of the data will help keep you in good stead with stakeholders.

MIND THE CONTEXT

While the monetization of data is exciting, different stakeholders within the same sector may have different concerns. Companies in the critical infrastructure sector, for example, use data to increase efficiency and improve operations, significantly affecting the bottom line. However, since infrastructure is often under threat of attack, governments may not appreciate it if you are seen as openly touting data-driven improvements to their strategically important services.