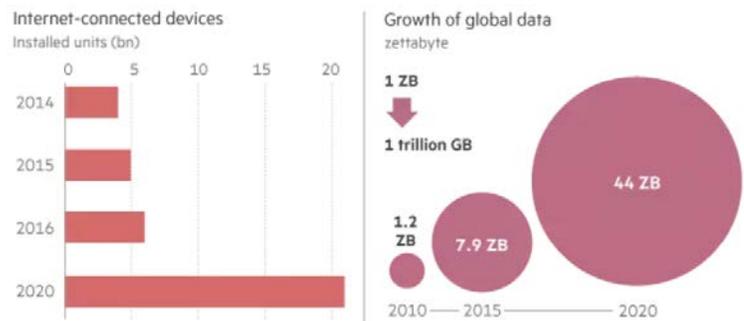


In Data We Trust

UK economy poised for massive growth opportunity fueled by information explosion

During his early March keynote address at Google's Cloud Next '17 Conference in San Francisco, Alphabet chief Eric Schmidt made a point to reiterate an all-too-familiar sentiment: data is king. "I'll bet the rest of my professional career that the future of your business is big data and machine learning" – a form of artificial intelligence – "applied to the business opportunities, customer challenges, and things before you," he said. Sure, Schmidt's claim was essentially a sales pitch for Google's cloud services, but regardless, you'd be wise to avoid the other side of his wager. With widening digital channels such as mobile and social unlocking a seemingly bottomless arsenal of information, data has become ubiquitous and vital, representing at once the glue to connect and the fuel to drive market-leading businesses.

To put things in perspective, take a look at the graphic to the right illustrating the continued rise of global data effectuated by ever-increasing online connectivity. With over 800,000 new websites and 500 million Tweets generated daily, digital information is compounding exponentially.¹ And the instruments with which to extract value are getting better, too. Improvements in advanced analytics, computing power, and automation are helping more and



Source: Financial Times.

more users cost-effectively harness the utility of information. Leading enterprises, once paralysed by high data arrival rates, are effectively deploying the infrastructure software and data movement tooling required to build strategic business capabilities. The mounting use cases are enlightening. Tesco, the UK's largest food retailer, recently announced a transition to Hadoop's data lake framework which will enable full data transparency across all 3,500 of their UK stores. By assembling a common information hub, Tesco will be able to spot sales trends and supply chain ineptitudes previously hidden from their decentralised reporting procedures. Pretty compelling, right? The potential for positive transformation through applied analytics is undeniable – and the opportunity stretches well beyond operational efficiency. In fact, a recent study conducted by The Boston Consulting Group showed leaders in big data generate an average of 12% more revenue than those failing to maximise their usage of analytics.

This influx of content and data mining tools represents a global phenomenon, and UK companies are well positioned to capitalise. According to the Centre for Economics and Business Research, UK big data is expected to add £241 billion to the economy from 2015 to 2020 – that's greater than the size of the UK's education, National Health Service, and defence budgets... combined.² Interestingly, the UK's prospective departure from the EU may provide further relief. While the outcome could take years to manifest itself, Brexit may very well empower the country to evade the EU-made legislation which has arguably discouraged info sharing and hindered the rise of data science start-ups in and around London. Furthermore, in an effort to spur growth within Britain's emerging tech sector, the UK government recently outlined a new digital policy to combat growing skills gaps across areas like analytics and artificial intelligence. Backed by education commitments from the likes of Lloyds, Barclays, and Google, it

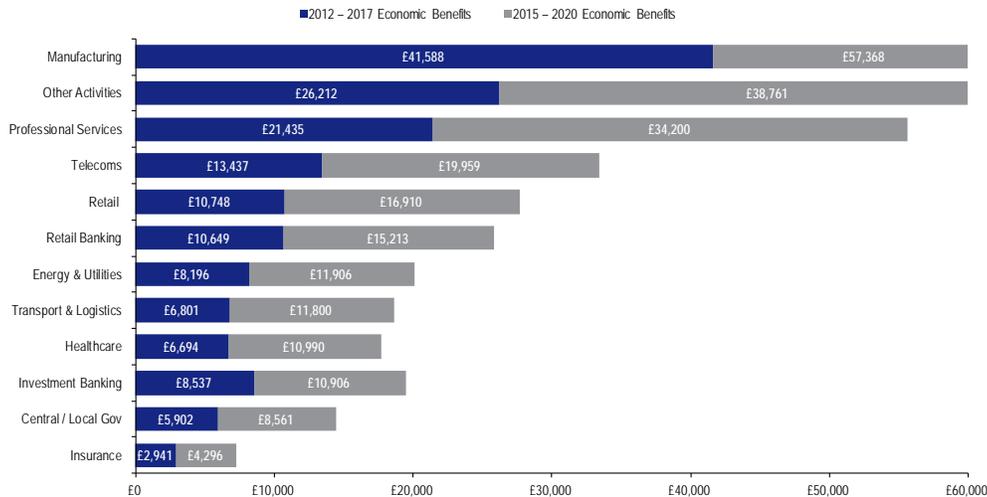
¹ Source: Financial Times, Investors Mine Big Data for Cutting-Edge Strategies, Robin Wigglesworth, 30 March 2016.

² Source: SAS, CEBR, The Value of Big Data and the Internet of Things to the UK Economy. February 2016.

is estimated that this regulatory-driven Digital Skills Partnership will see the creation of over four million digital, machine learning, and analytics skills training opportunities in the UK.³

Cumulative Economic Benefits of Big Data Analytics to Industry⁽⁶⁾

(£ in millions, 2015 prices)



THOUGHT LEADERS UNITE IN LONDON

With data representing both insight and opportunity for the investment community, Baird Capital hosted a meeting of thought leaders on March 24th at City Social in London to discuss the burgeoning state of the information solutions market. The discussion was led by Peter Galazka, an Experian veteran who has since founded Consultancy Central, a professional services firm serving mid-market businesses. Galazka is currently working with Baird Capital portfolio company Bfinance, an asset management consulting firm, to help the company leverage its deep industry knowledge and macro data gathering techniques to unlock the value of the data they are providing to their customers. During his presentation, Galazka highlighted the increasing adoption of information solutions as well as the challenges that companies face in properly utilising their data assets.

According to Galazka, the availability and variety of data is propelling massive transformation across most industries, including marketing and financial services. “Every customer interaction creates another chance for companies to build insights concerning how customers behave. By applying analytics tools to improve segmentation and targeting, marketers can better understand their customer and increase yield on digital spend.” Going forward, the evolution of digital media will enable even more proactive solutions. “With the pick-up in mobile, prescriptive analytics – recommendations rather than reporting – are making way for new avenues of personalised consumer interactions. In addition, data visualisation platforms such as Tableau and Qlik are opening up entirely new way to demonstrate returns and attribution in ways that customers can understand and appreciate.”

Galazka went on to highlight ways in which financial service providers, including Bfinance, are embracing data solutions to improve decision-making capabilities. “From banks to consultants, firms are deploying data techniques to inform internal compliance but also deliver real-time data to support customer engagement across global capital markets.” Industry adoption rates certainly support this sentiment. By 2020, banking is expected to lead all UK sectors with 81% adoption of analytics tools.⁴

³ Source: Gov.UK, Digital Strategy to make Britain the best place in the world to start and grow a digital business, 1 March 2017.

⁴ Source: SAS, CEBR, The Value of Big Data and the Internet of Things to the UK Economy. February 2016.

Firms are also finding increasingly user-friendly ways to monetise proprietary data assets. “Bfinance is a great example of a business keen to leverage the unique market information they generate on a day-to-day basis to better serve their customers. We’re streamlining their data gathering, introducing new tools to derive competitive insights, and identifying valuable but efficient methods to customise data dissemination. Bfinance is going to arm customers with the clear, practical intelligence tools they need to not only make better and faster investment decisions but also track ongoing performance.”

Yet, while adoption of data analytics is expected to create approximately 100,000 new jobs by 2020, current usage remains embryonic. Almost half of UK businesses are not expending any form of analytics, and while jobs will be created, the supply of talent just isn’t there today. Accenture found that a staggering 78% of organisations suffer from a dearth of skilled analytics labour.⁵ Galazka admitted that “with increased entry points and emerging data tools comes technical complexity, and you have to have the right people to turn chaos into value.” Whilst 59% of executives leverage analytics to understand historical trends, only 24% use analytics to forecast, and just 13% automate decisions through prescriptive algorithms.⁶ Executives feel constrained – not only by a lack of skilled resources, but also by budgetary considerations, implementation obstacles, and fear of regulatory misconduct. Galazka recognised these concerns but insisted that the benefits outweigh the hazards. “Overwhelming volumes can make analyses unwieldy, but if businesses take care to ensure compliance and quality, the growth opportunities are virtually limitless. Data is enabling organisations to derive insights and improve relationships in ways previously impossible, and the biggest risk would be to avoid adoption whilst your competitors benefit.”

BAIRD CAPITAL IS KEEN TO PARTNER WITH INFORMATION SOLUTIONS BUSINESSES

These rapid developments in data solutions, underpinned by a scarcity of skilled resources, are driving an even greater need for technology-enabled partners equipped to derive reliable insights from vast and unstructured data sets. Baird Capital is interested in investing in Information Solutions providers – companies applying a combination of value-added services, technology, and analytics to help customers make better decisions regarding important organisational matters involving operations, risks, and growth. Within our portfolio, we are investing in growth initiatives to more efficiently generate, collect, and examine data so as to benefit customers and increase our collective value proposition. As we look out into the market, we are keen to invest additional time and capital into scalable businesses taking advantage of this exciting opportunity. We find that Information Solutions businesses exhibit significant economies of scale and demonstrate excellent commercial resilience due to the critical nature of their content and technology, leading to predictable and profitable streams of revenue.

As we endeavor to engage with innovative businesses, we are confident that we offer a compelling and differentiated mix of operational and global resources to help our investment partners grow. With the US, UK, and China leading in digital spend, we have tactically positioned our team, with offices in Chicago, San Francisco, London, and Shanghai, to invest in growing data platforms. We are actively seeking acquisitions in select areas of Information Solutions, including Financial Services, Digital Marketing Workforce Optimisation, and Risk & Compliance. If you have investment opportunities or would like to discuss our strategy, we look forward to hearing from you.

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⁵ Source: Accenture, Are Labour Market Interventions Working?

⁶ Source: PwC, PwC’s Data and Analytics Survey 2016, June 2016.