

Listening for the Quiet

Discovering the real data advantage



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With all of the attention on generative artificial intelligence (AI) and its newest possibilities, what seems to be getting the most notice today is the demand for infrastructure to support this technology. When you sort through all the hype—the noise—to find the quiet, what can be uncovered are promising companies with strong potential to benefit from their access to quality data.

Data quality is key

Higher quality in, higher quality out: Companies that mine high-quality data can have greater confidence in the accuracy of what their analytics reveal and can use that information to make better-informed decisions that drive their businesses forward.

High-quality data helps companies:

- **Know and understand their customers.** Imagine a store that knows exactly what you like to buy, even before you walk in. This is possible because the store collects precise data on your preferences and uses that information to show you exactly what you're looking for.
- **Make well-informed decisions.** A company with good data can use it to make smarter decisions. For example, quality data can quickly identify which products are selling well and which ones aren't so the company can stock shelves with the items people want, manage inventories effectively, and set prices to maximize market share without sacrificing profitability.
- **Plan accurately for the future.** Imagine having a crystal ball that helps you visualize what's likely to come next. Companies with abundant, quality data can quickly uncover potential trends and changes within their industry. This allows them to adapt and build a sustainable economic moat based on their data advantage.
- **Improve the bottom line.** Quality data can help companies improve their profit margins by reducing costs, improving sales, or both. For example, quality data could enable a delivery company to plan better truck routes so that they use less fuel and deliver packages faster. The company would save money on fuel, and satisfied customers would likely drive higher revenue.

Over 40% of companies globally use big data analytics* and cite these benefits:

69%: Say strategic decisions are better

54%: Say operational processes are improved

52%: Say they better understand customers

47%: Say they've seen cost reductions

The companies able to quantify their gains reported an average **8% increase** in profits and **10% reduction** in costs from analyzing big data.

Source: "How Companies Benefit From Big Data," BARC; <https://bi-survey.com/big-data-benefits>

*Big data refers to large data sets that can be analyzed to discover patterns, trends, and associations.



Narrow the universe

Some industries have taken the leap to generative AI sooner and as a result are ahead of others in deploying data analytics. When looking for companies poised to benefit from applying quality data analytics to their businesses, narrowing the search to industries that are ahead of the game can lower the noise level, making it easier to focus attention on each company's potential.

“ Data can be like a ‘special ingredient.’ Just as a single, unique flavor can draw larger crowds to a restaurant, quality data—if it’s good enough—can guide a public company to the right side of change.

MICHAEL SMITH, CFA
Allspring Global Investments

Five of the top industries benefiting from quality data today

INDUSTRY	BENEFITS FOR COMPANIES	EXAMPLES: COMPANIES USING QUALITY DATA**
Financial institutions 	<ul style="list-style-type: none"> Analyzing risks (e.g., money laundering, fraud investigations, insurance underwriting) Pre-trade analytics Measuring/tracking customer sentiment and behavior 	<ul style="list-style-type: none"> Progressive Corp. S&P Global Inc. Workiva, Inc.
Communications/media/entertainment 	<ul style="list-style-type: none"> Measuring/tracking user behavior, reviews, purchases, content usage Recommending content on demand 	<ul style="list-style-type: none"> Spotify Duolingo Unity Technologies
Health care 	<ul style="list-style-type: none"> Monitoring, making real-time adjustments Optimizing performance Analyzing clinical notes, diagnoses, and treatment histories Understanding and serving customers/patients 	<ul style="list-style-type: none"> Intuitive Surgical, Inc. iRhythm Technologies, Inc. RadNet
Manufacturing/natural resources 	<ul style="list-style-type: none"> Monitoring production processes and equipment Analyzing sensor data for predictive maintenance Solving manufacturing challenges and gaining competitive advantages Seismic interpretation and reservoir characterization for processing/integrating geospatial and graphical data 	<ul style="list-style-type: none"> Deere & Company Caterpillar Inc. Siemens AG
Transportation 	<ul style="list-style-type: none"> Managing revenue Enhancing technology and logistics Gaining competitive advantages from consolidating shipments and optimizing freight movements 	<ul style="list-style-type: none"> J.B. Hunt Transport Services, Inc. United Parcel Service Delta Air Lines

Sources: Allspring and “14 Big Data Examples & Applications Across Industries,” Shruti M; updated as of July 27, 2023; Simplilearn Solutions; <https://www.simplilearn.com/tutorials/big-data-tutorial/big-data-applications>

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How to pinpoint who has a data advantage

We've learned that it takes much more than reading a company's published literature to discover what's important to know before deciding to invest or not. At Allspring, we ask specific questions for greater clarity so that we can accurately evaluate the potential opportunities and risks. Below are five questions Allspring assesses to determine if companies have a data advantage over their competitors:

1. **What quality data sources do you use?** Ask the company to describe the specific data sources or proprietary datasets it relies on for its operations and/or decision-making.
2. **How does data drive your business strategy?** Inquire about how data influences the company's strategic decisions, product development, and/or customer insights.
3. **Can you share examples of data-driven success stories?** Request real-world examples of how the company has leveraged data to achieve competitive advantages and/or solve critical business challenges.
4. **How do you protect and secure your data?** Question the company about the measures and strategies in place to protect sensitive data to ensure it remains a valuable asset and avoids security breaches.
5. **Do you invest in data analytics and talent?** Ask about the company's commitment to data analytics—including investments in talent, technology, and infrastructure—to extract value from the data.

*“ Warren [Buffett] asked me, ‘is Progressive better than Geico** or vice versa?’ I said, ‘yes, they are.’ And he pushed back a little bit, and I said, ‘Geico’s better at marketing and branding, but Progressive is a data company and data is going to win in the long run.’*

TODD COMBS

Berkshire Hathaway Inc. Investment Manager and CEO of GEICO

“Todd Combs – Investing, the Last Liberal Art,” podcast released October 9, 2023; <https://www.joincolossus.com/episodes/14034172/combs-todd-combs-investing-the-last-liberal-art?tab=transcript>

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