

BIG DATA: A NEW SOURCE OF GLOBAL GROWTH

More than two-thirds of decision-takers and company heads are convinced Big Data is transforming the competitive environment

HOW WOULD YOU DEFINE BIG DATA?

Information has always been crucial in taking strategic decisions. In recent years, there has been a massive change in the quantity and quality of information available to companies. Big Data is about interpreting and exploiting all this information to unlock new growth opportunities. It could be defined with 3 key words:

VOLUME: exponential growth in the volume of data generated

VARIETY: various information sources like internet, connected objects and companies as well as possible formats are expanding fast

VELOCITY: the frequency of data generation and sharing is rising

Structured data have always existed but the arrival of Big Data has allowed the rapidly increasing mass of unstructured data to be stored and analysed. Audio files, video, text, sensor, GPS and newspapers are indeed a formidable source of information and knowledge.

Non-stop innovation has helped analyse and store these data. For example, Google-inspired open-source Hadoop software features Massively Parallel Processing (MPP) which has now made it possible to analyse complex information simultaneously and exploit the results. This is a major advance for digital data multiplication. Data exchanged by mobile phones alone is expected to rise 57% each year up to 2019¹, a tenfold increase! Yet, according to the International Data Corporation (IDC), only 0.5 % of global data is currently being analysed.

All this information is a potential source of added value for companies which know how to process the information correctly. It will give them strategic advantages thanks to:

- analysis of a larger quantity of data which will improve decision making,
- a lift to current performance via cost reduction/optimisation and productivity gains, etc.,
- the creation of new, better-targeted products,
- enhanced customer experiences.

WHAT COULD BE THE IMPACTS ON ECONOMY?

All sectors are concerned by the theme. In the tech sector, Big Data is obviously important in creating value. In IT infrastructure, sensors, which gather information on the environment of an object or ma-

chine and connect them to the internet, represent a new source of data. To process this data, big players like IBM, Cisco and Microsoft have invested significant amounts in recent years in data centres and dedicated data analysis solutions.

But Big Data's impact goes far beyond the tech sector. For example, the Digital Delta project, launched in 2013 by the Netherlands in association with IBM, seeks to build a single platform for all water management-related data to make treatment easier for the various companies involved. The project should eventually cut water treatment costs by 15%. The global Smart Cities² market is estimated at more than USD 100bn in the 2010-20 period³. Industrial maintenance, customised offers, energy efficiency, preventive medicine and driverless cars are just some of the ways big data can be exploited with potentially significant repercussions on the economy as a whole. This deep-seated transformation will redefine frontiers between sectors. Companies which can tap into this secular trend will be able to deliver new products and services which have the potential to create significant value.

HOW DO YOU SUGGEST WE GAIN FROM THIS ENVIRONMENT?

More than two-thirds of decision-takers and company heads are convinced Big Data is transforming the competitive environment and helping new entrants emerge in certain sectors⁴. So the question is not if, but when and how the competitive environment will change.

One should make a distinction between two sorts of players:

- Established leaders: Google is the indisputable number 1 in Big Data, with a very privileged position both in customised marketing, artificial intelligence, mapping, and video as well as in mobility. Riding on its numerous strengths, the company is destined to play a big part in medicine, driverless cars and government services like the prevention of epidemics and traffic management.
- New players: Illumina is a US biotech company specialised in human genome sequencing, a development that will eventually result in personalised medical treatment. Ranked in 2014 as the most intelligent company in the world by the Massachusetts Institute of Technology, Illumina also offers bioinformatics platforms to analyse human genome data.

As we believe Big Data is an investment theme in its own right, we launched a thematic fund⁵ in September 2015. The strategy seeks to capitalise on the Big Data theme by investing in companies which are directly involved in the theme or likely to see their business model transformed by it.

Given the theme's specifics, we need to adopt a pragmatic and selective approach to these companies when assessing their valuations, products and solutions. The objective is to identify suppliers or users which will benefit from these opportunities. As a result, stock picking represent the main source of added value.



Jacques-Aurélien Marcireau,
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Company Profile:

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FOOTNOTES

1 Source: Cisco VNI Mobile 2015

2 A project that harnesses IT and communication techniques to improve services at the economic, social and environmental levels.

3 Source: Ernst & Young Advisory survey: [Smart Cities: from vision to execution] (in French) - 2014.

4 Source: Capgemini survey: Big & Fast Data: the rise of insight driven business.

5 The above investment process comprises various internal investment constraints set up by the investment team. This is the current process but it may change over time.

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