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New DMA Study Examines Impact of Data on Economy

By Beth Negus Viveiros

Data-driven marketing added $156 billion in revenue to the U.S. economy and fueled more than 675,000 jobs in 2012, according to a new study released this week by the Direct Marketing Association.

The study was commissioned by the DMA’s Data-Driven Marketing Institute and conducted by Professors John Deighton of Harvard Business School and Peter Johnson of Columbia University. The goal of the research was to give policy makers facts about the impact of the use of responsible data.

“The study is meant to be a jumping off point,” noted Rachel Nyswander Thomas, executive director of DDMI, at the DMA’s annual conference in Chicago on Monday. “Every industry benefits from the data driven economy—the ripple effect is incredible.”

The real value of data, according to the study, is its exchange across the data driven marketing economy (DDME): 70% of the value of the DDME—$110 billion in revenue and 478,000 jobs—depends on the ability of firms to exchange data. This exchange enables small business to compete effectively with big players, launching new publications and services that are fueled by ad revenue.

When conducting the study, Deighton and Johnston purposely used a conservative methodology, summing what firms spent on data and data services but not what benefits they received in exchange. This was to insure that the size and value of the DDME was defensible—and it also means the reported size of the DDME may be likely underestimated.

Things that the study did not take into account include the benefits firms receie in exchange for spending on data and data services, which can often exceed data costs by 20% to 60%; spending on capital goods like hardware and data storage systems; funding of firms by venture investors; and benefits to end consumers of free-to-user Internet services.

“The bottom line is that well-meaning but poorly-conceived legislation or regulation restricting the responsible use of data would harm the U.S. Economy,” said Linda Woolley, president and CEO of the DMA. “It would impact billions of dollars in revenue and hundreds and thousands of jobs, make small businesses less competitive and stifle overall innovation. In the end, it would hurt consumers by limiting choices and raising prices. Policy makers need to comprehend the true impact of their decisions.”