The rise of unstructured data in investment: A revolution for decision-maker

Unstructured data, while complex to organise, plays a crucial and complementary role to structured data in private equity investments. It enables more informed decisions and better anticipation of trends through the use of advanced data extraction and analysis tools and technologies.

Temps de lecture : minute

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In a world where information is ubiquitous, unstructured data—such as social media posts, corporate reports or presentations, podcasts, news articles, and feedback from customers or partners—is playing an increasingly important role in the field of investment. Unlike structured data, these types of information are harder to organize, but they hold immense potential for those who know how to harness them. A PwC study from 2023 reveals that companies incorporating unstructured data into their investment decisions see a 30% increase in their return on investment.

The growing importance of unstructured data in Private Equity

Unstructured data remains largely underutilised due to its complexity and lack of available tools, despite representing around 80% of global data (IDC, 2022)! It offers valuable insights by revealing trends, market sentiment, and investment opportunities that traditional approaches might overlook. For instance, social media posts can provide clues about how a brand, product, or service is being perceived, while news articles can offer insights into events impacting both public and private financial markets.

Complementarity with structured data

Unstructured data doesn’t replace structured data but complements it by providing a more holistic view of the market or companies. A 2021 McKinsey study indicates that companies integrating unstructured data into their decision-making processes are 23% more likely to outperform their peers in terms of growth and innovation. For example, sentiment analyses from sources like videos, podcasts, or PDFs can shed new light on a company and offer crucial testimonials that could be decisive in an investment decision.

The crucial role of advanced technologies

The tools available for analysing “classic” data, offered by companies like Pitchbook or Crunchbase, do not allow for the retrieval or analysis of unstructured data. Analysing unstructured data relies on more advanced, non-manual technologies provided by next-generation data players, such as machine learning and artificial intelligence (AI). According to Gartner (2022), companies using AI tools to analyse unstructured data see a 45% improvement in decision-making efficiency. Algorithms can process and interpret massive volumes of qualitative, unstructured data, transforming this raw information into actionable insights. For instance, sentiment analyses on social media can identify weak signals about interest in specific sectors or products, enabling investors to anticipate new market trends.

Proven success among Private Equity players

Renowned investment funds like QuantumLight and Two Sigma are heavily leveraging unstructured data to develop algorithmic investment strategies. By using natural language processing (NLP) techniques to analyse millions of social media posts, for example, these funds can detect positive or negative sentiments about certain companies (consumer dissatisfaction, management stances, acquisition rumours, etc.), which in turn influences their strategic or investment decisions.

Another example is BlackRock, which uses unstructured data to assess ESG (environmental, social, and governance) risks. By analysing news articles and NGO reports, BlackRock can better understand the potential impact of ESG risks on their investments, allowing them to make more informed and responsible decisions.

In conclusion, unstructured data offers new perspectives to investors, transforming the private equity sector in a way similar to the changes experienced by the public sector a few years ago. It enables faster and more informed decision-making, surpassing traditional methods, and enhances investors' ability to anticipate market trends.

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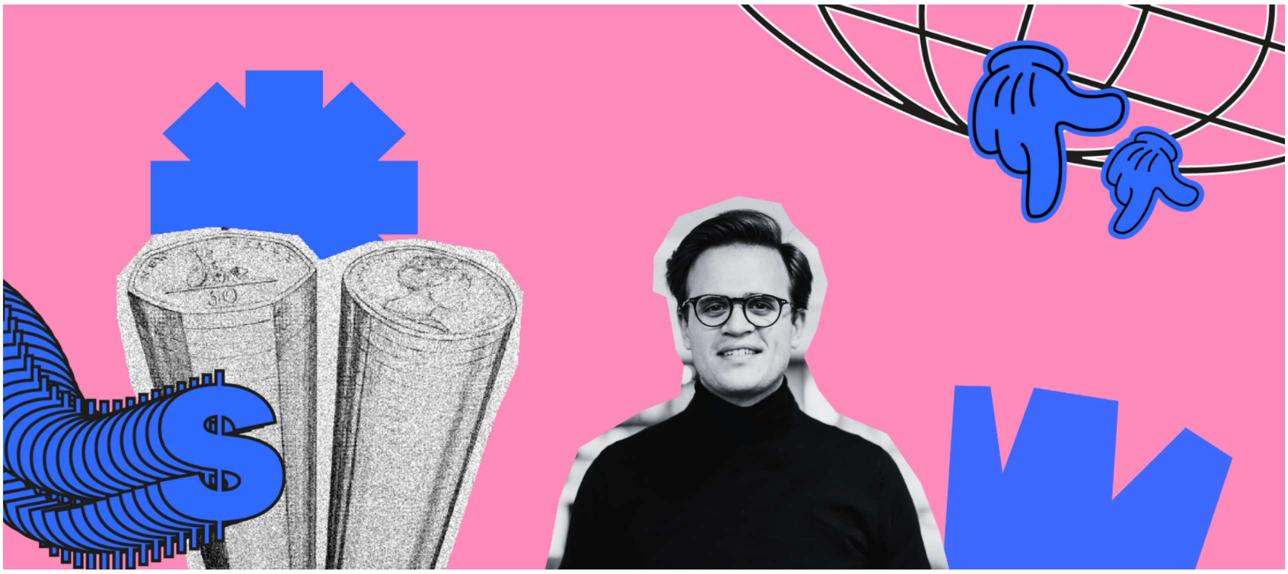

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