



# CRM Buyer™

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For CRM System Purchasers

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## Business Intelligence, Part 2: Creativity in Overdrive

By Pam Baker

Business intelligence is the analytics tool that organizations are harnessing to forecast the future, understand the present and put the past into context. Its value stretches across industries and departments. Here is a summary of how companies are using business intelligence.

*This is the second in a three-part series. Part 1 examines how companies can use business intelligence to their strategic advantage. Here, we look at the features and functionality of various systems.*

Knowledge is power, but without context and imagination, it's just bytes of data, every bit as dark and useless as ignorance itself. "One bank CIO recently told me, 'We had the data, but we did not have the information,'" Boris Evelson, analyst at Forrester, told CRM Buyer in describing the banking industry meltdown.

As the country is now in Code Recession red alert, everyone's scrambling to turn data into useful information. The tool du jour is Business Intelligence (BI), and all hands are wielding it with firestorm urgency. "No longer is BI thought of as a black box or a tool that someone with a Ph.D. in math looks after," Kathryn Gramling, global vice president of Corporate Marketing at CAS, told CRM Buyer.

But what, really, can BI do to help put out the fire?

"What you can do with BI technology is generally limited by the availability of data and the creative genius of the implementers," Chris Ferrara, vice president of Business Intelligence at ISA Consulting, told CRM Buyer.

### **Tapping Opportunities**

In essence, BI organizes data from multiple sources and delivers it to fingertip usefulness. "BI can be anything from an Excel spreadsheet to an end-to-end slice/dice OLAP solution combining multiple data sources into an organization's strategic vision," Eric McGuardian, president and chief executive officer of MIG & Co., told CRM Buyer.

The true value is what you do with the information once you have it. Creativity, then, hones the competitive edge.

"When using business intelligence as a solution to identify new industry opportunities, you have to know what the BI means to key decision makers within that industry," Zack Gonzales, product marketing manager, First Research at Hoover's, told CRM Buyer. "For example, anyone can tell you that aircraft manufacturing is becoming more computerized. But not everyone knows what this means to the CFO: investment in this developing technology is risky, so it is imperative to secure exclusive production contracts from the original equipment manufacturers."

This savvy move ensures production schedules can be met and manufacture costs are kept in check, explained Gonzales. In this example, use of quality BI reveals how relationship-building has become critical in aircraft manufacturing. Effective use of BI creates growth channels for the company that may otherwise have been invisible and untapped.

### **Industry Breakdown**

"At the core, companies want to understand what is going on, and what is likely to happen," Phil Francisco, vice president of product management and marketing at Netezza told CRM Buyer. "With BI tools they can use the data that is generated during the course of their business operations to also make better decisions about their products, customers, vendors and employees." Here are some of the highly refined, industry-specific ways Francisco said BI is employed today:

- Communications companies are analyzing billions of CDR records for revenue assurance and real-time network optimization.
- E-Businesses are leveraging deeper analysis for behavior-based marketing promotions, optimized Web content delivery and proactive inventory management decisions.
- Energy and utilities providers are supporting increased regulations while reducing their own power consumption.
- Financial services organizations are managing more trades, claims and transactions while accommodating today's overwhelming compliance and surveillance mandates.
- Government agencies are streamlining their operations and consolidating databases for real-time, mission-critical analytics.
- Life sciences organizations are optimizing their drug discovery, usage analyses and brand management operations.
- Outsourced analytics providers are supporting more clients, executing more campaigns and running more in-depth analyses.
- Retailer and CPG companies are fine-tuning every element of their sales, merchandising and supply chain operations with transaction-level detailed analyses executed in near real time.

## Department Drill-Down

Beyond industry specific uses, there are department-specific uses of BI, Lancet Software cofounder and president, Thomas Niccum, told CRM Buyer. Here's his take on the most common department uses:

- **Customer Analysis**
  - Customer Segmentation -- answers what natural groups of customers do we have? Soccer Moms, Nascar Dads, Electronics Hobbyists, High Rollers, Cheapskates.
  - Customer Profitability -- answers who are our profitable customers, what are their characteristics? -- we want to market to potential customers that look like them.
  - Cross-sell / Up-sell -- answers what products could we be selling to existing customers?
  - Relationship Analysis -- answers which customers are exhibiting behaviors that indicate that they may be leaving?
- **Supply Chain Management**
  - Inventory Analysis -- answers what inventory items do we need to stock up on at a particular time of year?
  - Fulfillment Analysis -- answers how quickly are our vendors fulfilling our orders to them? Are they meeting their contracted service levels?
  - Distribution Cost Analysis -- answers what is the most efficient distribution system for our products?
- **Financial Reporting Analysis**
  - P&L Reporting -- enabling profit/loss reporting with the ability to compare against budget, or a variety of forecast scenarios and to drill down to details.
  - Profitability Analysis -- looking at customers, products, locations or other factors and determine profitability.
  - Financial Compliance Analysis -- SOX/GLB compliance reporting
- **Sales Analysis**
  - Store / Geographic Analysis -- who's selling what by division/region/store/salesperson -- ability to navigate through the data looking for anomalies.
  - Sales Pipeline Reporting -- forecasting sales based on sales process data.
  - Sales Perf. / Quota Reporting -- comparing sales performance against sales quotas with the ability to roll these up to divisional totals or drill down to individual salespeople.
- **Product Management**
  - Product Performance Analysis -- analyze sales volume, profit, sales by geography, by customer segment, etc.
  - Market Basket Analysis -- understand what products sell well together, e.g. milk & cookies. This allows stores to arrange their physical layout to encourage natural affinities.
  - Category Management -- ability to roll like product up into categories/subcategories; e.g. Categories of books, music, DVDs.

Subcategories can be drilled down to, for example music could have subcategories breaking out the genre.

- **Risk Analysis**
  - Risk Management -- manage a pool of customers, investments, etc.
  - Portfolio Risk Analysis -- model a portfolio of financial holdings and their risk behavior to predict how they may react to various situations.
  - Fraud Detection -- look for suspicious patterns of behavior.
- **Operations Analysis**
  - Productivity Reporting -- analyze productivity by division, location, employee type, etc.
  - HR Reporting -- salary analysis, comparison of cost vs. education, recruiting/retention results vs. goals.
  - Web Commerce Analysis -- analyze Web traffic for conversion rates (number of visitors / number who purchase)

### **Customizing the Fit**

The good news is that BI is easily customizable to fit almost any business need imaginable. The bad news is that BI is easily customizable. "All BI platforms pride themselves on the ability to offer customization solutions, but few spell out the details of how long it takes to implement a custom solution or the ongoing support costs for upgrading and sustaining the solution," Quentin Gallivan, chief executive officer of PivotLink, told CRM Buyer.

"In fact, BI solutions can be so 'customized' that any changes reside at all levels introducing a tortuous process to support any upgrade to any part of the system whether it be at the operating system, application server, database or BI software level," he warned.

Indeed, the ease and speed of customizing a business intelligence solution varies widely, depending on the vendor.

"Traditional on-premise software vendors like Cognos/IBM, BusinessObjects/SAP, and Hyperion/Oracle can be customized, but this takes a significant amount of time and labor, which is one of the reasons that their implementations are often very expensive to deploy and maintain," Brad Peters, chief executive officer of Birst and formerly of the Analytics group at Siebel Systems, told CRM Buyer.

"There are some vendors that offer business intelligence solutions for a specific function and are quicker and lower-cost to deploy, but offer only limited customization," added Peters. "For example, LucidEra and Cloud9Analytics focus on Salesforce.com (NYSE: CRM) data analysis for the sales manager, offering a set of standard reports that they can be rapidly implemented."

In addition, says Peters, there are some midmarket vendors who provide both a lower cost solution and the capacity for rapid customization including vendors like Birst (on-demand) and QlikTech (on-premise).

"BI can be as canned or as customized as you want it to be -- but therein lies the tradeoff," Scott Barnett, chief operating officer of Bluenog, told CRM Buyer. "The more customizable you want, the more complicated the tools typically become, in terms of the amount of technical sophistication required to get the right customized results."

"It is possible to create 'templates' that relate to a specific industry or department, but these also can vary in complexity and sophistication," Barnett added.

Despite the remarkable agility in customizing BI and the sharpened vision such brings, companies sometimes still find themselves blind-sided. "Sometimes critical BI initiatives are not getting addressed," William Copacino, president and chief executive officer of Oco, told CRM Buyer. "These initiatives often get put on hold because companies are immersed in longer-term infrastructure projects, they need to prioritize among a long list of corporate needs for BI, or lack the business domain knowledge to design a solution."

Excuses, no matter how reasonable or understandable, will likely lead to disaster. At the end of the day, BI is a necessity for survival for this is an age when knowledge is power and ignorance is anything but bliss. **ECT**