
Business Intelligence – Now More Than Ever

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- ▶ *The benefits of a business intelligence investment during an economic downturn.*



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Audience: This paper is intended for the IT manager who oversees a budget and is responsible for making IT implementation decisions in his/her organization.

Contents

Executive Summary2
Introduction3
Reality Sets In3
Don't Delay: BI Can Help Your Organization Today4
A Solution with Immediate Impact5
Increasing the Value of Your Packaged Applications6
Better Visibility of the Organization7
Helping You Hold on to Your Customers9
Conclusion10

Executive Summary

The goal of this white paper is to explain why business intelligence (BI) is a sound investment for any IT manager to make, especially during an economic downturn. With budgets becoming tighter and demands from executives to see immediate results from IT implementations increasing, this paper outlines the benefits an organization can expect to see from a BI solution and their impact on a company.

The primary benefits a business will experience from a BI deployment are:

- An immediate impact on your bottom line, as users gain instant access to information, which in turn generates a fast payback
- The leveraging of existing investments in packaged applications (i.e., ERP, CRM*, etc.) by extracting value from the data they hold within
- Better visibility of the organization for both executives and business managers
- A better understanding of your customers, and therefore a greater ability to retain them

As statistics reveal that IT managers' budgets have flattened out during the past few months, there is a demand to continue to choose investments that will help streamline a company's operations, lead to greater profitability in the short term, and differentiate that company from its competitors. By giving users instant access to the information necessary to make better business decisions, BI will help an organization operate more effectively and more efficiently while providing an immediate ROI.

* ERP enterprise resource planning, CRM customer relationship management

► Reality Sets In

Six thousand lay offs. The New York Stock Exchange is down three percent for the day. Another once-infallible “new economy” company reports that it will not meet financial analyst expectations and will only see single-digit growth for the quarter, rather than the double-digit growth it had witnessed the previous six quarters. Every day, the newspaper and evening news headlines report grim news for stockholders, employees, and executives. The consensus: an economic downturn has hit.

Obviously, the euphoria that surrounded the last few years of economic hyper-growth has faded. Now that reality has set in, it is time to assess those opportunities that currently exist to increase a corporation’s value. There are investments that can be made today by an organization to not only sustain market share and profitability, but to actually *increase market share and profitability during a downturn in the economy.*

So what kind of investment will allow your company to thrive even during difficult economic times? An investment in a technology that has an immediate, positive impact on your company’s bottom line as well as its day-to-day operations. Technology that allows you to harness the single most important asset your company already owns but does not leverage – the information in its databases. The key is to harness this information: “The more information you have, and the better (and faster) your analysis, the greater the probability that you will make winning investments.”¹

Even as budgets are tighter and expenditures more difficult to justify, it is imperative to focus on those investments that will yield the most benefits for your company - ones that will allow them to not only make it through the tough economic times, but to thrive in them. An investment in a business intelligence (BI) solution will enable your company to do that.

What is BI? Business intelligence allows organizations to access, analyze, and share information across the enterprise and in extranets environments, using both tools and analytic applications. In enterprise networks, BI provides employees with information to make better business decisions, and can be used in environments ranging from workgroups of 20 users to enterprise deployments exceeding 20,000. In an extranet environment, BI is deployed in applications that allow organizations to deliver new services and build stronger relationships with customers, partners, and suppliers via the internet. In customer relationship management, the pre-requisite for acquiring, developing, and caring for customers is to understand how your existing customers behave. Providing this “customer intelligence” is one of the unique strengths of BI.

¹ Geoffrey A. Moore, *Living on the Fault Line* (HarperBusiness, HarperCollins Publishers) 2000.

► Don't Delay: BI Can Help Your Organization Today

There are several compelling reasons why now more than ever BI should be deployed within your organization:

- In a slowdown, your first priority should be on what type of IT deployment provides the greatest “bang for your buck.” Business intelligence delivers the greatest immediate impact for your organization, as it gives users in your company the information they need and supplies an instant ROI.
- Many companies have already begun to implement a packaged application, such as ERP or CRM, and have yet to see the benefits. Business intelligence allows you to leverage your investment in these packaged applications and extract information from the data they collect in order to use it in a effective way—now.
- BI offers executives and business managers better visibility of the organization by giving them a greater understanding of their business operations. With this knowledge comes the ability to react much more quickly to problems and issues than with conventional “views” of the organization such as balance sheets, income statements, and quarterly finance reports.
- It is during a slowdown, when budgets are tightest, that you should use BI to understand your customers and hold on to them. Focusing on customer satisfaction will go a long way to improving the bottom line without forcing your business to incur large expenses to attract new customers.

A Solution with Immediate Impact

Payback. Return on Investment (ROI). Total Cost of Ownership (TCO). These are terms that have been around for decades and are active concepts for those companies who spend their money carefully and wisely. While these ways of measuring the benefits of a particular IT deployment seem in vogue now that there is a slowdown in the economy, the reality is that they have always been a determining factor in what kinds of IT implementations a company undertakes.

What metrics does your company use? How does the organization determine whether or not to give the green light to an IT project? Regardless of whether you use ROI, IRR, TCO, NPV, or some other acronym or weighty financial concept, the whole discussion boils down to one question during this downturn: "What solution will have the most positive impact on the bottom line of the company in the shortest period of time?"

If you are asking yourself, "Where can I find the biggest 'bang for my buck?'" the answer lies in a solution that will immediately improve the way your company operates, immediately changes the way information is shared among workers, even immediately changes the way the organization thinks about its customers, partners, and suppliers. Business intelligence will alter the way your company does business, and in a very short period of time.

Here are a few ways that BI has impacted organizations around the world:

- An insurance organization painstakingly prints paper reports and sends them to every customer, spending significant money on creating documents which often are not even read. This process can take weeks or months. Deploying business intelligence gives a company the ability to immediately publish these reports electronically to customers via email, or better yet, allows customers direct access to its databases and to the information they specifically need through an extranet. By no longer producing reports, this organization save nearly \$500,000 per year, and stand to make millions in additional fees by charging customers to access the information.
- A logistics company used to have drivers manually fill out reports on where they drove and with what type and load of cargo they transported. This information was never available in real-time and trucks would return empty after dropping off a shipment because there was no system to identify additional delivery opportunities. Deploying business intelligence has quickly given the company a means of tracking and reporting on virtually *everything*, even down to how many miles per gallon the trucks get when truckers drive at certain rpms. What is more, trucks rarely go empty and that means huge cost savings for the company.
- A distribution company used to think customer satisfaction was simply being nice to its customers and having the sales reps take them out to a fancy lunch once in a while. After deploying business intelligence, this company not only takes them to lunch but also shows them a real-time report of the customer's last two years worth of purchases and plans with them how they can pool their purchases to buy in larger quantities and receive higher levels of discounts.

The list goes on and on and the ways BI is used within organizations is endless. You may see the benefits of a BI deployment and understand that these benefits can happen in the immediate future. But a more immediate question might be, where will you find the budget for this type of expenditure?

One of the leading technology analyst firms, IDC, projects that IT spending growth will slow to 7% in 2001, down from 11% in 2000. While this drop is significant, it is even more so for hardware spending, which will plummet from 9.6% in 2000 to -0.1% growth this year.²

IDC's statistics reveal the need for a fast payback on an IT implementation, and it is in software that companies are concentrating rather than in hardware installations. Taking budget originally allocated to hardware and spending it on business intelligence will allow you to stay a step ahead of your competitors and put you in an even stronger position vis-à-vis your competition when the slowdown is over. Even more importantly, business intelligence will offer immediate benefits and will *still* be an integral part of the infrastructure you will put in place later. Business intelligence will be the "front-end" of any successful ERP or CRM system later on, for example, and there is nothing stopping you from rolling out BI now and completing your larger project later.

² IDC, "Vicious Circle" Is Impacting the U.S. Economy and IT Spending, April 30, 2001.

Increasing the Value of Your Packaged Applications

While for some speed of deployment is an important part of a BI solution, for others it is the means by which they can leverage their pre-existing investment in a packaged application.

Let's go back ten years or so, when many companies began to roll out huge applications, such as SAP. It seemed obvious to executives at the time that their organizations needed to first deploy an ERP, CRM, or other large-scale application as well as a data warehouse to truly harness the power of the information stored inside the company. With a robust economy, revenues soaring, and new customers coming on board daily, executives believed they could afford to wait one or two years (or more) for a payback on these implementations.

Fast forward to 2001. The ERP project is lagging behind schedule, budgets are reduced and the data warehouse is still only in the planning stages. Now executives are beginning to question the CIO about the benefits of the existing implementations and are asking "Are these projects really worth it?"

These big packaged applications are essential to any business in the long term, but a by-product of these systems is that they generate massive amounts of data. Most large applications, however, are not designed to allow you to extract information out of this data in a timely and easy fashion. Business intelligence allows you to harness the information you already have accumulated in these packaged applications and put it to work for your company. Using BI will give users the information they need now, while delivering a fast ROI.

A multinational company has spent the last two-and-a half years setting up an ERP system to run its core transaction processing. After a huge initial investment, the organization wanted to finally see some tangible results from this deployment, so they decided to create a flexible enterprise BI system that would pull data directly from the ERP application. Through laptop computers, the sales and marketing people gained access to product and customer information specific to their areas of responsibility and were now able to drill into the data for details. The added flexibility has greatly accelerated the company's business processes.

Better Visibility of the Organization

Executives and business managers within an organization always strive to better understand how their business works. In reality, though, the view most executives have of their business is simply through the balance sheet and income statement. Knowing the assets and liabilities on the balance sheet is one thing, but to truly understand all of the drivers in a business – from sales figures to inventory levels to measurements of lead generation from various marketing programs – these members of the organization must have a technology that will deliver greater visibility over *all* parts of the business. Up and down the value chain, BI should not only give executives better visibility but also enable them to gather this information quickly and provide a mechanism for analyzing their findings.

- Imagine this scenario. Tom Smith, a finance manager with a Fortune 500 company, receives a voicemail from his CEO, “I’ve just gotten word from Joe (the COO) that our sales were below target for the quarter. Find out why we missed our numbers and get back to me—ASAP!” Not having any ability to access the information stored in the data warehouse directly, Tom asks the IT department to create for him a report showing him the sales revenue broken down by region as well as by individual product. Not able to wait the two weeks it will take IT to create the sophisticated report he requested, Tom turns instead to polling other people within the organization for their opinions on what caused sales figures to slump.

With a short deadline from the CEO on his analysis, Tom is left no choice but to use qualitative data – using the opinions of his colleagues as well as his own past experience – in his briefing. Tom reports back to the CEO, “In the past, when we have not hit our sales targets, it has been because of heavy discounting of our products done in reaction to increasingly fierce competition. We have discounted a bit this quarter and that is the most likely reason for us missing our numbers. I will confirm this with you at the end of the month, once I have received the sales reports from IT.”

- Now imagine the same situation – but this time with BI. Tom hangs up the phone and quickly creates a report himself that shows revenue figures for the various regions of the company. He finds that the company’s sales in the western region of the United States were below normal. Digging deeper into the report, he discovers that two particular products did not sell well in that region. Knowing that one of the strengths of a report created using BI is its ability to be shared with others, Tom sends this report to other managers in the western region to allow them to lend their expert opinions on the issue.

A western region customer service manager creates her own report and finds a large number of complaints logged for the two particular products Tom pinpointed in his report. The reason for the complaints turns out to be a 60% increase in late deliveries of the products.

Armed with this information, Tom has a specific problem to report – and a specific solution to propose to CEO: fix the deliveries of these two products and sales in the western region will no longer be lagging behind.

Targeted. Effective. Intelligent. Fast.

It is clear that the access Tom Smith had to information helped him make a great decision. Think how even more important this access to information would be during a downturn in the economy. It would be even more essential to spot these trends and problems immediately, because one missed quarter can spell disaster. Today's competitive landscape is too difficult for executives *not* to understand how their operations work. In many cases an analysis such as the one Tom undertook would be too late during tough economic times. That analysis would have to be performed *during* the quarter, and only a solution like BI would give you access to information in such a timely manner.

Helping You Hold on to Your Customers

The benefits of business intelligence are not just in giving managers and executives better visibility of the organization to allow for greater operational efficiencies. Many corporations are taking this a step further and improving customer satisfaction. We always hear that it is much more expensive to attract a new customer than it is to keep an existing one. Knowing that, a company should do all that it can to understand not just what product or service their customers purchase but *why* and *how* they purchase them. Being able to *retain* customers is as important, if not more so, than *gaining* new ones.

With business intelligence, companies have the ability to truly understand the behavior of their customers. Certain BI applications allow you to segment your customers by very precise criteria, such as average purchase size, geographic location, economic profile, etc., as well as the ability to look at those segments over time. What is the true benefit of this type of fine understanding of your customers? You can predict more accurately those customers' future spending patterns. It is one thing to retain customers, which BI will help you do. It is an even greater thing to target your existing customers to not only stay with your company, but to know and understand them well enough to sell them even *more* of your products and services. BI will help you do that.

A large telecommunications company has rolled out BI to lower its customer churn levels. The marketing department has begun to use BI to understand the buying habits of its customers by using BI to reveal detailed, plan-activating trends within various global regions, including customers' preferred plans and rates. Armed with this information, they can then use this information to target additional customers and markets around the world, as well as anticipate what the customer will need to be a remain a satisfied client rather than just another customer "that got away."

Conclusion

Perhaps you have already rolled out business intelligence to certain departments of your organization. Or you have already implemented a front- or back-end packaged application, and are looking to BI to yield greater benefits from these systems. Or perhaps this is the first time you are considering deploying business intelligence within or outside your company. Regardless of where you fall on the spectrum, there is no better time than now – during the current economic downturn – to roll out a BI solution.

It is during this time that you need more than ever to be more agile, more productive, and more profitable, and only BI offers such an opportunity. BI gives executives and business managers better visibility of the organization through greater understanding of the operations of the company. BI also gives your organization the means to understand your customers better and improve their levels of satisfaction, hence to retain some of your most valuable customers. Having a greater ability to not only retain customers but also gain new ones will very significantly impact your organization's bottom line.

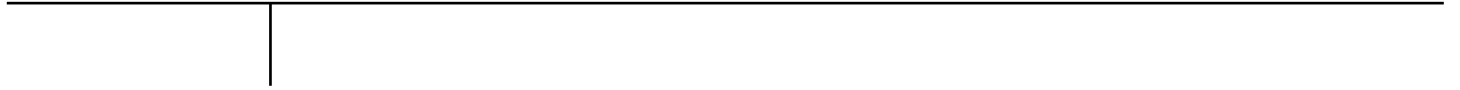
You face a difficult period: budgets are suddenly tighter, you are under more pressure, the decisions you make today carry much greater weight than they did before. Concentrate, therefore, on those implementations that can offer the greatest immediate impact on your organization. Don't delay. Focus now on business intelligence, a solution that offers users in your organization the information they need while delivering an ROI that any organization can justify.

If you would like further information on Business Objects and what its products can do for you and your organization, please visit www.businessobjects.com.

Appendix A

The IT Manager's BI Prioritization Checklist

Spending Priority	The case for BI
Seek projects that align with business goals	BI plays a key role in most corporations and top business initiatives such as increasing employee productivity, streamlining operations, etc...
Seek projects with immediate impact on the company's bottom line	BI can deliver tangible results to end users for projects ranging from \$100,000 to \$1 million – an order of magnitude far less than the \$1 million to \$10 million for installing a new operational or automation system.
Seek projects that help retain customers	Regardless of your present infrastructure for managing customers, BI can help provide immediate customer analysis and segmentation. As it is much cheaper retaining a customer than gaining a new one, BI will become a key part of any retention strategy you implement.



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