Your Guide to Profits: Insights through business analytics
By Balasubramanium Venkitachalam

In the beginning there was data...

Data. It's not only the fuel of today's digital and business world, but there's a lot of it. IBM predicts that by 2010 the size of the world's information base will be doubling every 11 hours. This data explosion means new terms have to be created. So we've come from chatting about kilobytes and megabytes a decade ago to talking terabytes and petabytes and beyond to exabytes, zettabytes and the mind-boggling yottabytes. That's a yotta bytes.

At the business-level this has meant that decision-makers in industry have more data and information on all aspects of their business than ever before. From customer behaviour to business performance, there are few areas of the commercial world that cannot be recorded and calibrated.

The big problem of this is data overload, something that affects many of our clients. A balance is required so that the information can be used to the advantage of the business without overwhelming or distracting it.

Combined with the risk of data overload, the business landscape is reforming and decisions are increasingly needing to be made more quickly (see Marco Rimini's article 'The future of strategic thinking in marketing communications' for our thoughts on the strategic implications of the need for organizations to make faster business decisions). This is mainly due to increasingly rapid and dramatic technological developments - and the associated changes in consumer behaviour. So, to achieve high quality decision-making, there is a fundamental need to organise and analyse all the data in an immediate and insightful way.

'Analytics' refers to the collection of statistical approaches in mining the data that decipher of the influences of key business metrics (e.g. sales, profit, brand awareness/image etc) and that all lead to an understanding of Return on Investment (ROI). It started to be put into practice in the 1960s and 70s, but grew more popular when genuine technological advancements came in and data warehousing progressed.

In recent years the leaps in technology have also meant an evolution in analytics, an evolution which turns data not only to insights but has moved towards gaining foresight and delivers it swiftly for efficient and effective decision making. Earlier, getting insight meant measuring parameters that affected a brand's performance, such as customer response, market feedback, etc. This later then evolved through analytics in relating those measures with the brand's performance such as sales and profit. At this stage, analytics was used more at a diagnostic level. The evolution is now more in a complete form thanks to the technology boom. Analytics has now allowed us to progress from simple measurement to quantifying the effect of various factors affecting business performance and predicting their impact. This is a shift from simple insights to gaining real foresight. It arms senior management with the tools to move from reactive to proactive decision making.

The ever growing importance of the web plays a significant part in the growth of analytics utilisation. The web has become a part of life with consumers and access to any form of information enables the fact that consumers are in control! Consumers interact with brands through information provided by the web. This has led for decision makers the availability of more accurate live information which through proper analytics gives a better picture of consumer dynamics that act as fuel for more focussed decision making.

Get ready for take-off

"*Managers, like pilots need instrumentation about many aspects of their environment and performance to monitor the journey toward excellent future outcomes*"

- Robert S. Kaplan
- David P. Norton

The Balanced Score Card

In their well known work, Robert Kaplan and David Norton liken managers to pilots who need all their instruments to relay the crucial information required to do their job. Each instrument provides the CEO with a snapshot of the separate divisions of the company. This 'dashboard' provides a balanced view of what's happening in all aspects of the business. The CEO needs a perspective of all the functions to make the appropriate decisions.

Each meter is providing a live update of the market and how it is affecting business. With all these feeds of information the CEO can take quick action to take the best route to improving profits.

Kaplan and Norton call this 'The Scorecard' and it provides a complete perspective of what's happening in the business.

This concept can also be honed and applied to the Marketing Director. The marketer's balanced scorecard is at the centre of converting data into agile decision-making, and is ROI analytics in action. What is more important is that the usage of a score card is not just for reporting but through analytics provides a real guide to future decision making. For the marketer, four clear questions must be dealt with in the process of making ROI analytics work:

1. What works? (E.g. Media, Creative, Price, Trade schemes)
2. Who to target and when? (E.g. Customer segment, Communication layering)
3. How investment much is enough?
4. Is this for real?

Although these questions are simple the big challenge is to answer them, and to keep updating and reviewing them over time. These are in effect what the CEO needs to know from the marketing department.

Helping the marketing function

As business data analysis has evolved it has become easier to answer the four questions above, making it more straightforward to create a dashboard of marketing that allows the impact of money spent in marketing to be analysed. Each instrument on the dashboard is a different factor that goes to build up the overall picture of the marketing function. This includes sales and profit, market share, customer loyalty, brand equity, customer acquisition, customer experience and attrition rate and customer lifetime value, amongst other values.

This is the type of scorecard every marketer should have at their fingertips, and is achievable only with the help of analytics. By looking at each element within the marketing function marketers can see exactly how each dollar spent in total on marketing is converted in to sales.

Previously, data was used purely at a diagnostic level. The different aspects of the marketing mix were looked at in isolation so their relative importance was treated in a silo. This meant each area, such as the impact of price or how a trade promotion affected sales, was dealt with separately. But, scorecards enable marketers to see the effect on sales of their own pricing changes in the context of competitive price changes. The scorecard makes marketers more pro-active.

The score card thus provide utility not only in just reporting the scenario but also as guide to decision making in the following way

1. At a diagnostic level it points out the effect of each of the marketing drivers on the brand's success.
2. It provides the ROI of the marketing dollar on each of the drivers.
3. By embedding analytics it helps to optimise the dollar spent on marketing. This helps a marketing director to minimise the risk in future investment on various marketing drivers and provides a more solid view on the return on one's marketing investment. The optimisation process takes away many non lucrative factors and focuses on the ones that yield maximum return. Making this optimised score card live can capture the dynamics of the market place in a continuous manner and provide insights to the decision maker.

Six steps to best practice

The biggest challenge for applying analytics successfully is getting the business intelligence in place to begin with. This essentially involves three stages: Collecting the right information; storing it in a convenient manner; and exploiting that information. It is crucial each is undertaken so that as much understanding and learning to help the company or department run effectively can be achieved.

Analytics comes in at the third stage. How will you wisely exploit the information recorded and stored so you can manage better? It is also within this area and from our experience that we are driving the elaboration of these three stages into a formal process of corporate best practice. This involves a six step process.

1. Set your Key Performance Indices (KPI's)
This requires a proper definition of each target that must be set from the beginning, be it in sales, customer acquisition, loyalty measures, market share and so on.

2. Collect Data
Once the KPI's have been set, relevant data collection can start. This is an information library process. You can collect data on any relevant aspect including market share, customer purchase behaviours, brand measures and macro trends in the market. This might also include implementing a system to capture all the below the line input from the trade for example.

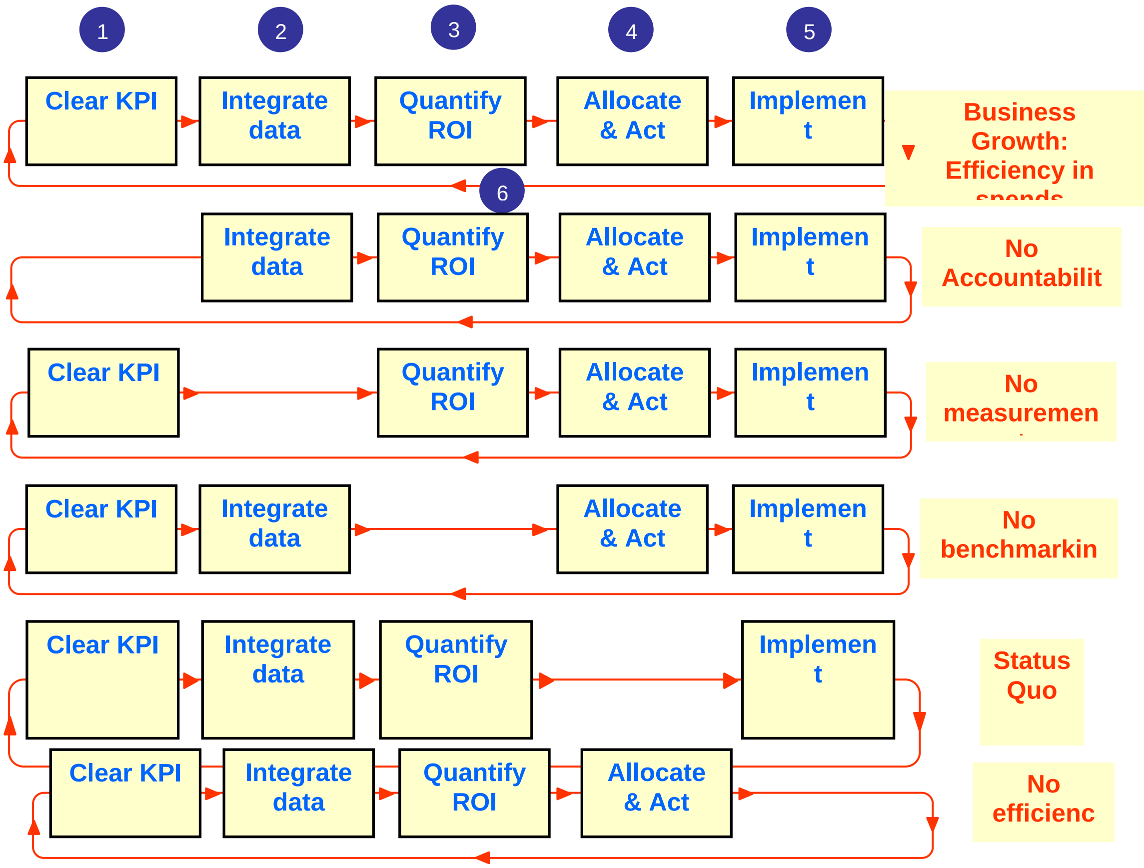
3. Create a data mart (data warehouse)
This is similar to the 'store' stage in the three step process and it is where business intelligence is important. The challenge here is to store all relevant forms of information in one place. This is the starting point to 'correct exploitation' of the rich data resource.

4. Analytics
A key issue with analytics, as outlined above, is that many organizations proceed with it without setting their KPI's. However, if done correctly, it is this stage that allows for the move from diagnostic to predictive, integrated insight. This is also where the most added-value can be achieved.

5. Create a dashboard
Here, all the different parameters can be looked at. Each metric covers a different area, for example metrics for financials, market share, customer loyalty and so on.

6. Monitor
All the parameters must be continually and constantly monitored. You can measure where you are going right and where you are wrong and put recommendations and alterations into action as a consequence.

Implementing the six steps will help build value and innovation, and it is important to work through all of the steps – each is essential to ensuring organizations get the maximum value from analytics. For example, without well thought through KPI's, the later stages become objective-empty and the whole process loses its value.

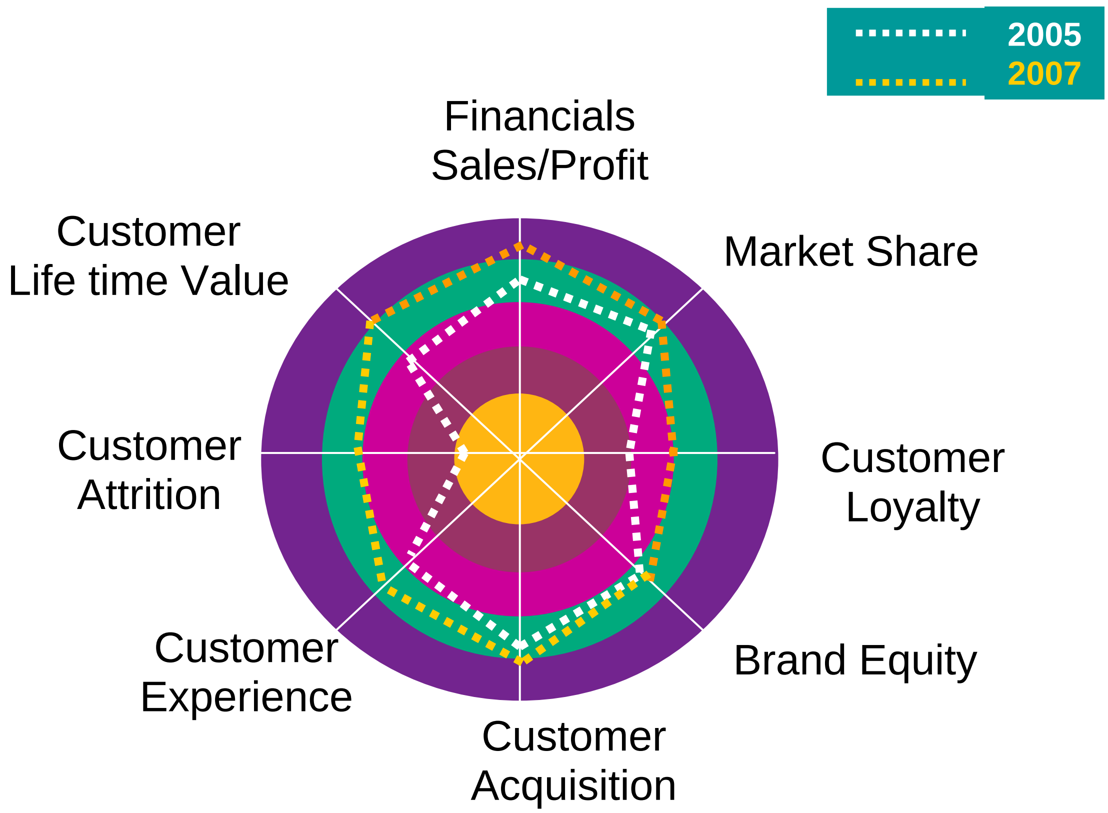


Brand example

In 2005 a consumer packaged goods brand in the Asian market was analysed. Its scorecard was established using eight criteria including sales and profit, customer loyalty and attrition rates. Although it had high profits and customer acquisition it was losing out on customer loyalty and attrition. The brand had been acquiring new customers so its sales were rising but it had a longer term problem with low loyalty and high attrition.

From this, a strategy was developed and by applying analytics and looking at the effects of key variables, predictions could be made. The clear implication was that the product was not sensitive to price so the strategy shift involved increasing the price, improving the store experience and giving the brand a more premium feel with improved packaging. It also identified the consumers that were deserting the brand and created focused communication aimed at those segments.

By 2007 the consequence of a 20% price increase with this strategy saw profits rise by 12% and attrition fall by 18%.



A final thought

All managers need to be continually updated to keep pace with the changes and meet the challenges they are facing in the marketplace. This faster pace of change means it’s even more important to have a complete picture, to better predict where things are going and what course of action as a business, needs to be taken.

Analytics is now a more understood, friendly and valued tool for business but clients need to be realistic about what it can do. The technology alone will not do the whole job and it can’t perform miracles. Each element is not mutually exclusive so storing the data without undertaking the analytics will not be beneficial. Integrating with consumer insight and in order to view the picture from a wider angle, is key. But if you learn to appreciate the process, and integrate it into the heart of your business practice then the technological advancement is something that can help deal with the large amount of data within your organisation and in the market with foresight and in a timely manner.

ABOUT MERITUS

Meritus is a compass which provides direction to improve business performance. As a fully operational Knowledge Process Outsourcing and Off-shoring (KPO) provider, Meritus uses econometrics for data analysis as a key enabler in providing business direction. Data Analytics has evolved into an opportunity to produce actionable insights in important areas and drive ROI on a different level than before. With the help of advanced statistical techniques and subject matter experts, Meritus provides solutions to aid today's business leaders to make better informed decisions than ever before.

The proven scientific approach taken by Meritus to provide direction enables multinational corporations and enterprises alike to optimize business performance. Skilled in econometrics and data analytics, and business insights consulting Meritus empowers business organizations to make better-informed decisions, thereby providing the means for greater productivity and return on investment. By harnessing advanced technologies, we apply these skills to process vast volumes of data so that clients can probe and measure every element of business to arrive at valuable insight. In short, Meritus translates data into decisions.

Data analytics helps you examine and measure each element that affects the business and provides key insights. It helps measure productivity and maximizes ROI. Technology and computing power has enabled business to mine through rough, large data and arrive at key insights, making data analytics at the forefront of business decision-making. Meritus goes beyond executing models. Meritus translates data into decisions.

Meritus has a world class project centre in Bangalore, India, a regional HQ in Singapore and offices in N. America and Australia and China which services clients all over the world. Meritus' strategic partnership with Covansys brings together strengths in technology, infrastructure and process maturity to provide a quality Knowledge Process Outsourcing and Off-shoring operation.

Meritus is a **WPP/Group M Company** venture (NASDAQ: WPPGY), in partnership with **Covansys Corporation** (NASDAQ: CVNS). Meritus is a one-stop shop KPO and data analytics provider with vertical industry expertise in Consumer Durables & Packaged Goods, Finance, Healthcare, Marketing, Retail and Telecom.

Meritus Offices

Meritus Analytics India Pte Ltd
2nd Floor, Mahalaxmi Chambers
29 M.G. Road
Bangalore, India 560 001
Tel: +91 80 2535 8527

Meritus Asia Pacific
8 Shenton Way
#08-02 Temasek Tower
Singapore 068811
Tel: +65 6232 5454

Meritus China
12 F, Hua Li Building Level 17
58 Jin Bao Street
Dong Cheng District
Beijing, China 100005
+86 10 8523 3913

Meritus Australasia
65 Berry Street
Sydney, NSW
Australia 2065