



Analytics at Work

How to Make Smarter Decisions and
Get Better Results

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The Downside—Problems in Decisions

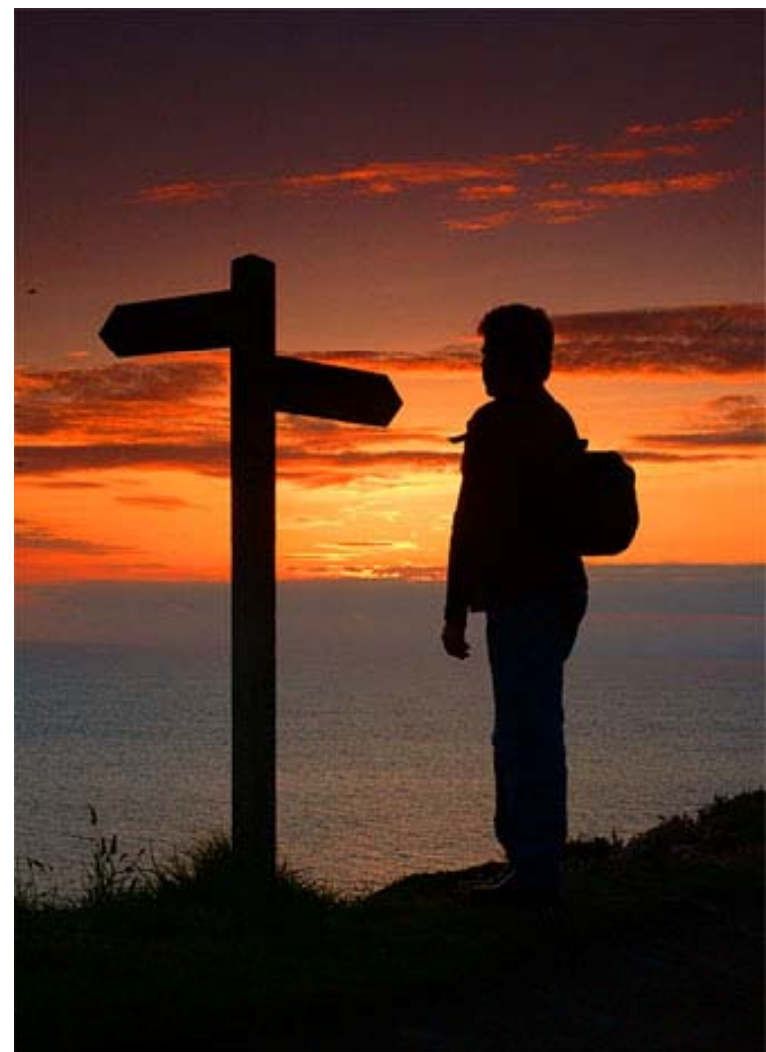


- ▶ Decision processes and outcomes are often bad!
 - ▶ The body of knowledge on what works is often ignored
 - ▶ Decisions take too long, get revisited, involve too many or few
- ▶ Little measurement/progress/accountability
- ▶ Weak ties between data/information/knowledge inputs and decisions
- ▶ If we're not getting better at decision-making, much of IT's work is called into question
 - ▶ Data warehousing, analytics, reports, ERP, knowledge management, etc.



The Upside—New Decision Frontiers

- ▶ Analytics and algorithms
- ▶ Intuition and the subconscious
- ▶ “The wisdom of crowds”
- ▶ Behavioral economics and “nudges”
- ▶ Neurobiology
- ▶ Decision automation
- ▶ ...Etc.



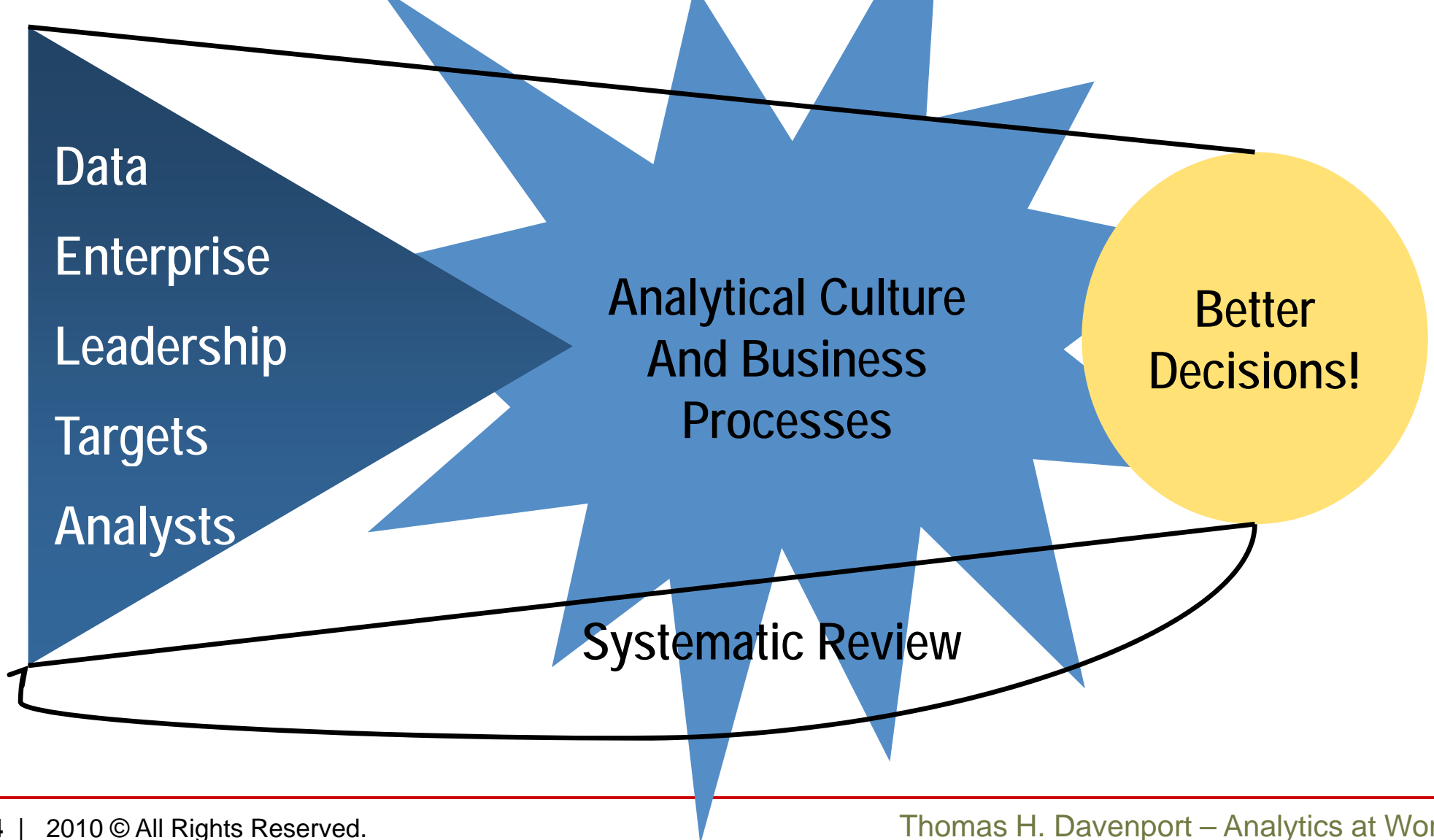


Analytics at Work—The Big Picture

Analytical Capability

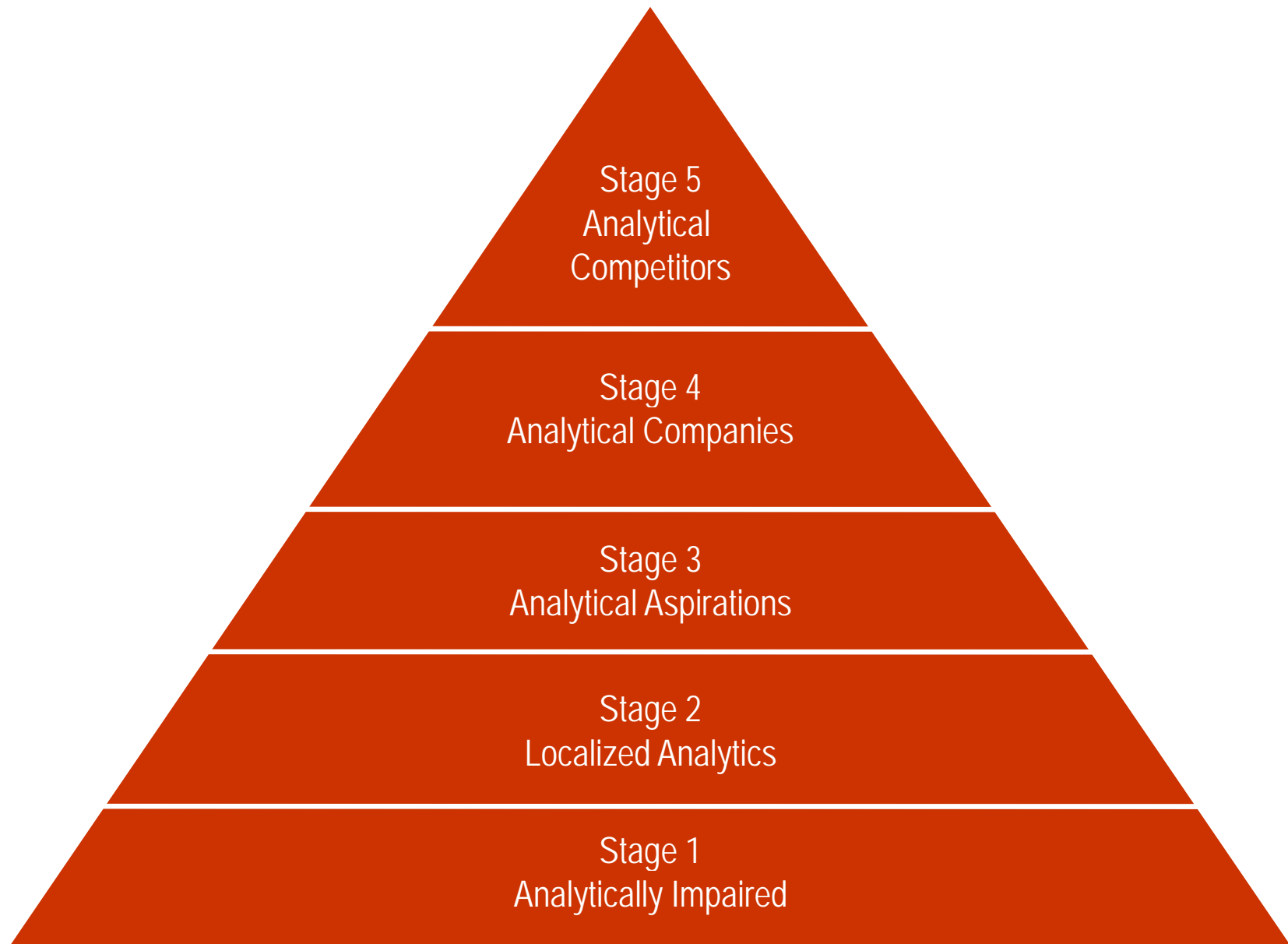
Organizational Context

Desired Result





Levels of Analytical Capability





Analytical Competitors

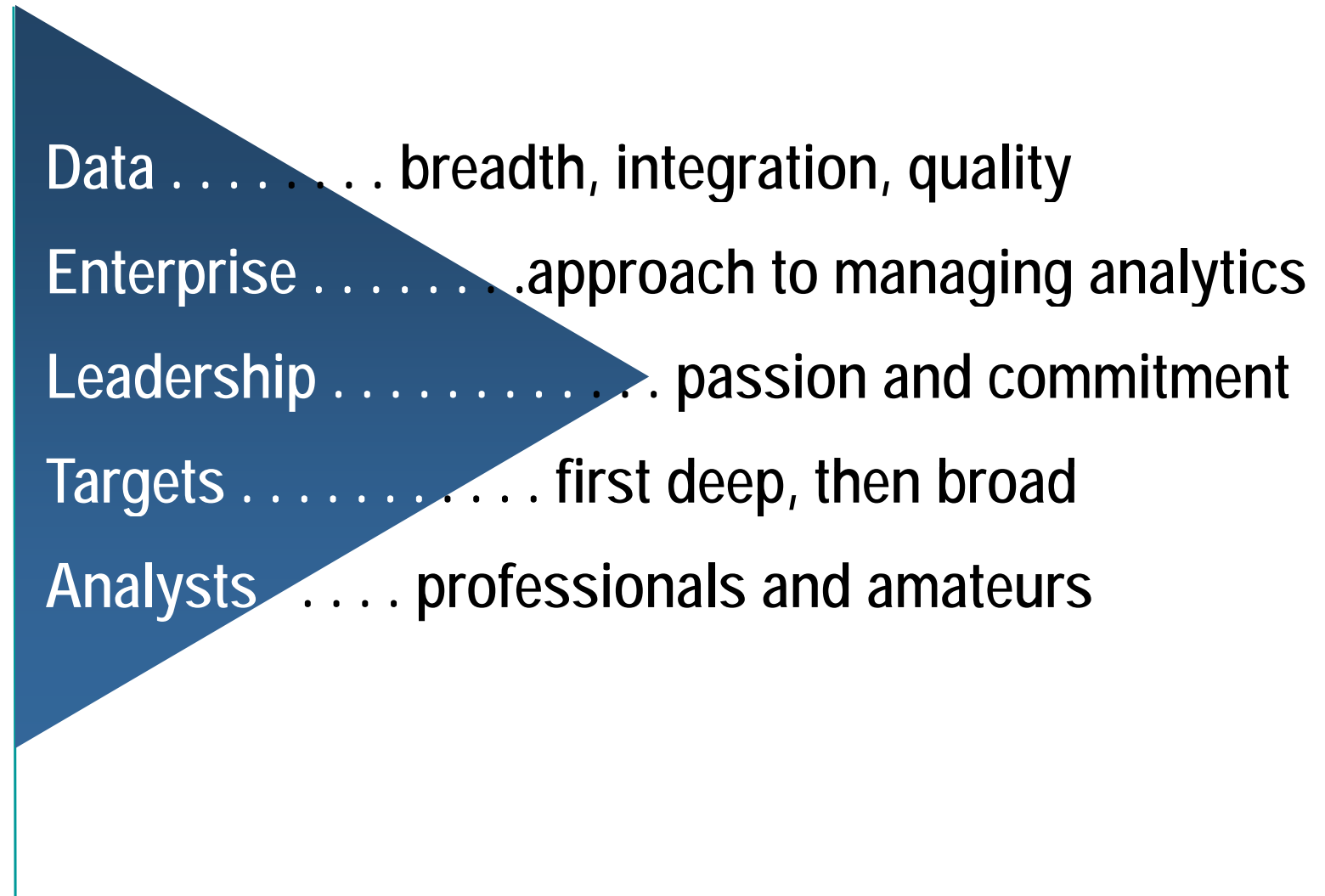
Old Hands, Turnarounds, Born Analytical



- ▶ Marriott — Revenue management
- ▶ UPS — Operations and logistics, then customer
- ▶ HSBC— risk, credit scoring, pricing
- ▶ Harrah's — Loyalty and service
- ▶ Tesco — Loyalty and internet groceries
- ▶ CreditCorp— Debt collection
- ▶ Capital One— “information-based strategy”
- ▶ Google — page rank, advertising, HR
- ▶ ISM— analytical services



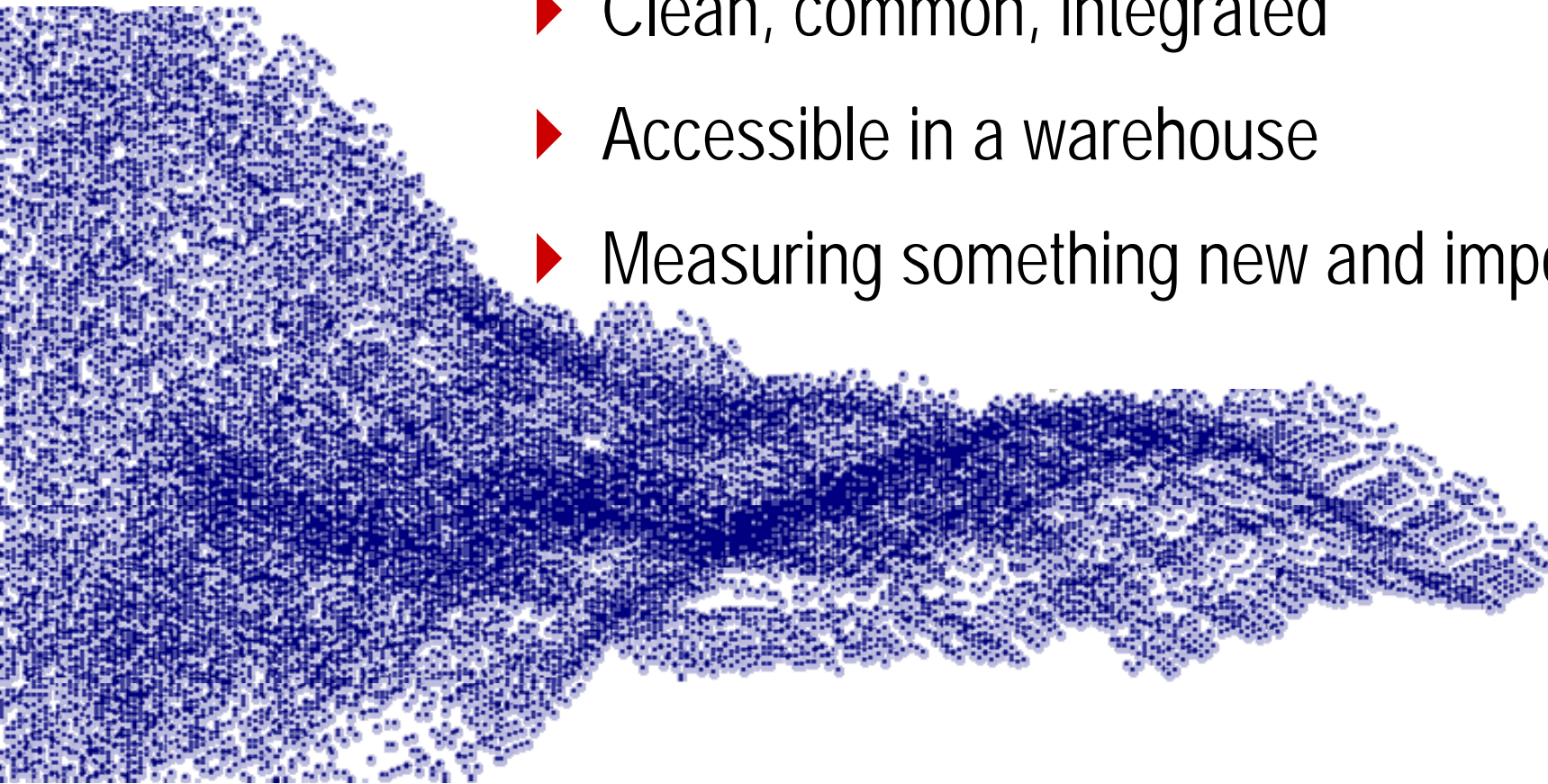
The Analytical DELTA





Data

- ▶ The prerequisite for everything analytical
- ▶ Clean, common, integrated
- ▶ Accessible in a warehouse
- ▶ Measuring something new and important





New Metrics / Data



Wine Chemistry



Optimized revenue



Smile Frequency

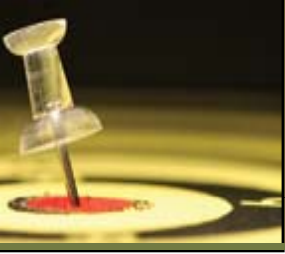


Enterprise



- ▶ If you're competing on analytics, it doesn't make sense to manage them locally
 - ❖ No fiefdoms of data
 - ❖ Avoiding "spreadmarts"—analytical duct tape
- ▶ Some level of centralized expertise for hard-core analytics
- ▶ Firms may also need to upgrade hardware and infrastructure

Leadership



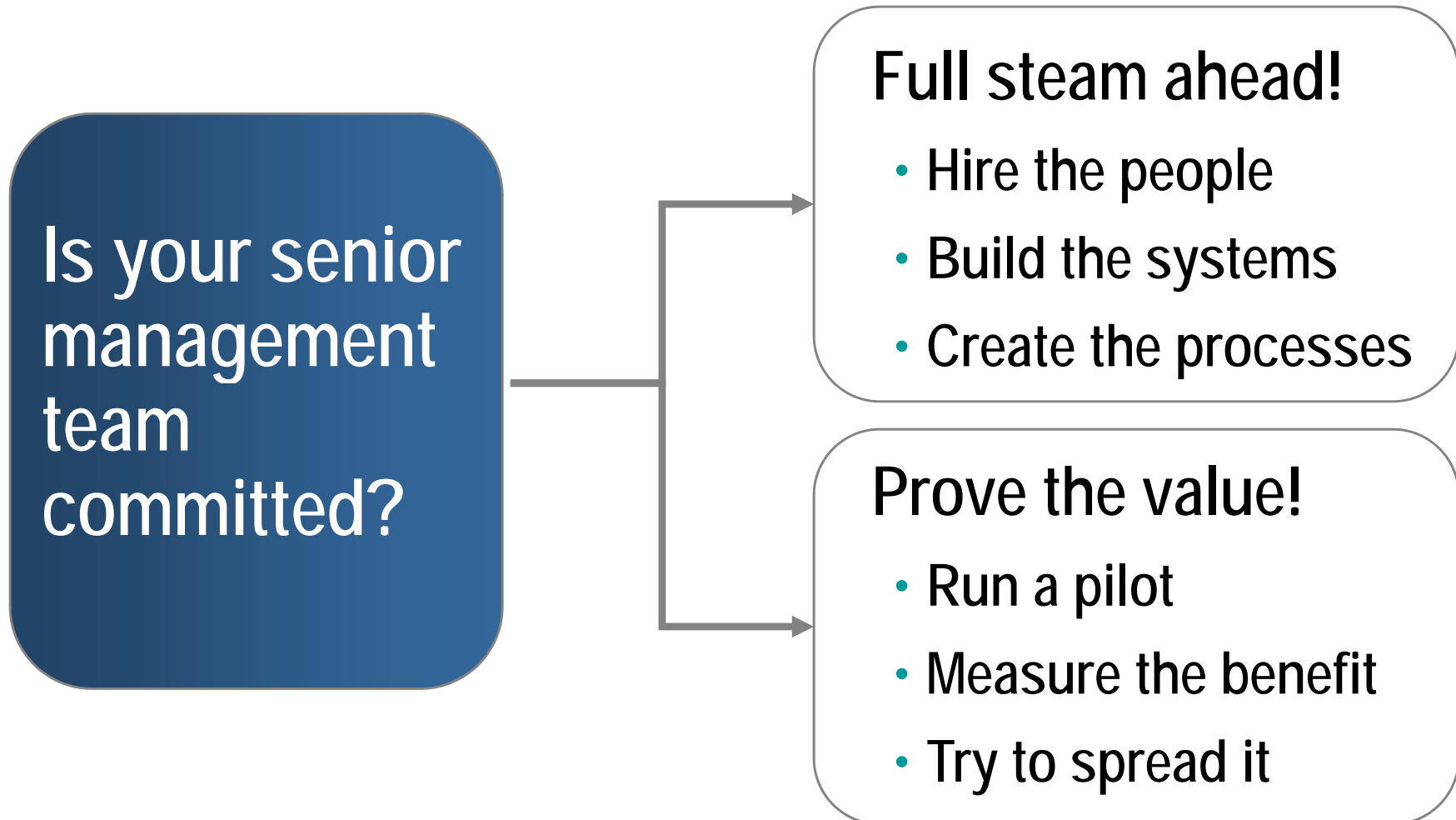
- ▶ Gary Loveman at Harrah's
 - ❖ “Do we think, or do we know?”
 - ❖ “Three ways to get fired”
- ▶ Barry Beracha at Sara Lee
 - ❖ “In God we trust, all others bring data”
- ▶ Jeff Bezos at Amazon
 - ❖ “We never throw away data”

“Our CEO is a real data dog”

Sara Lee
executive




The Great Divide



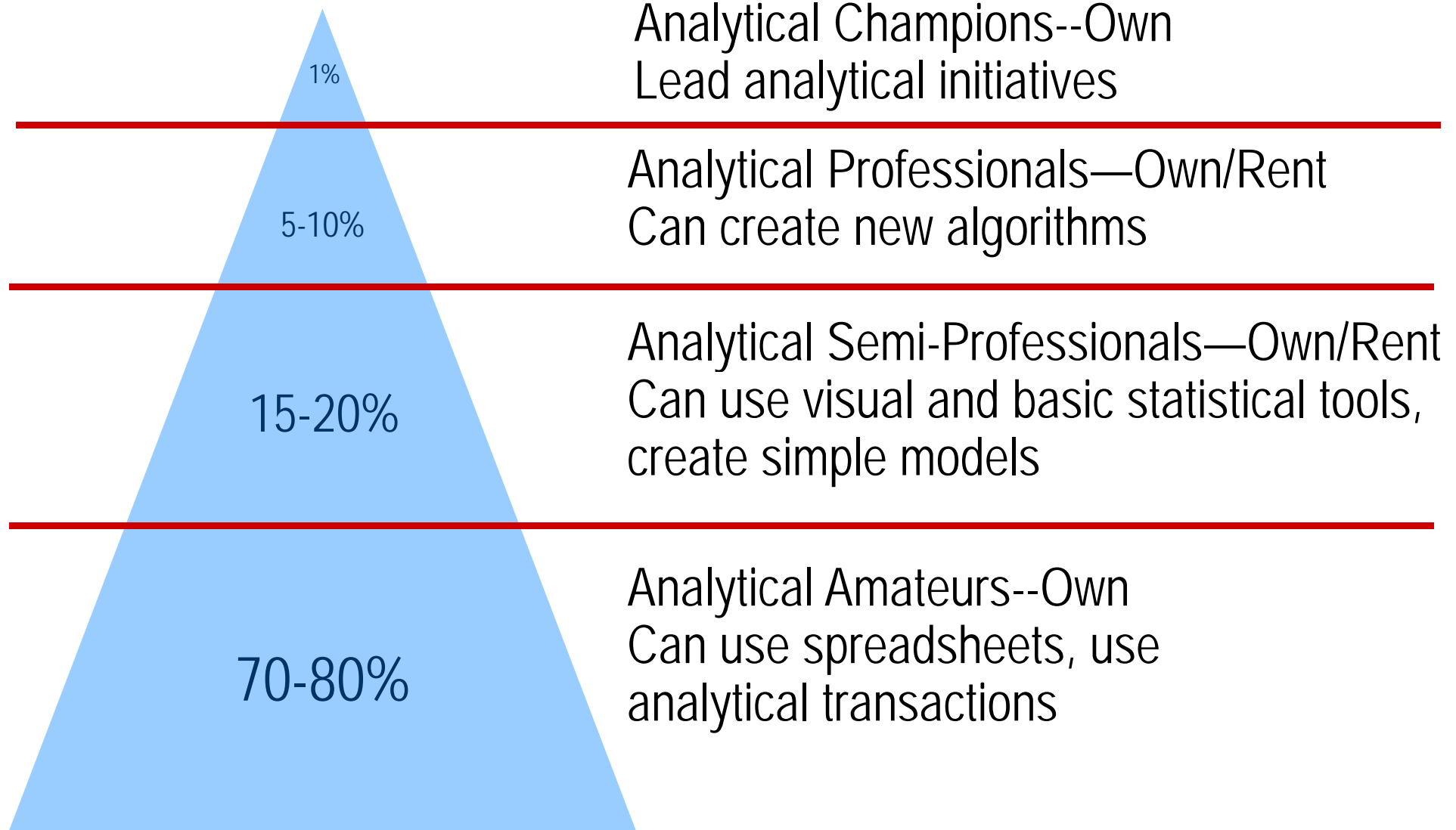


Targets

- 
- ▶ Pick a major strategic target, with a minor or two
 - ❖ TD Bank = Customer service and its impact
 - ❖ Harrah's = Loyalty + Service
 - ❖ Google = Page rank/advertising + HR
 - ▶ Can also have two primary user group targets
 - ❖ Wal-Mart = Category managers + Suppliers
 - ❖ Owens & Minor = Supply chain managers + hospitals



Analysts



* percentages will vary based upon industry and strategy



Better Decisions Are the Goal of Analytics

~~Reports~~



~~Scorecards~~

~~Portals~~

~~Drill-down~~



Systematically Making Decisions Better

Identify

Inventory

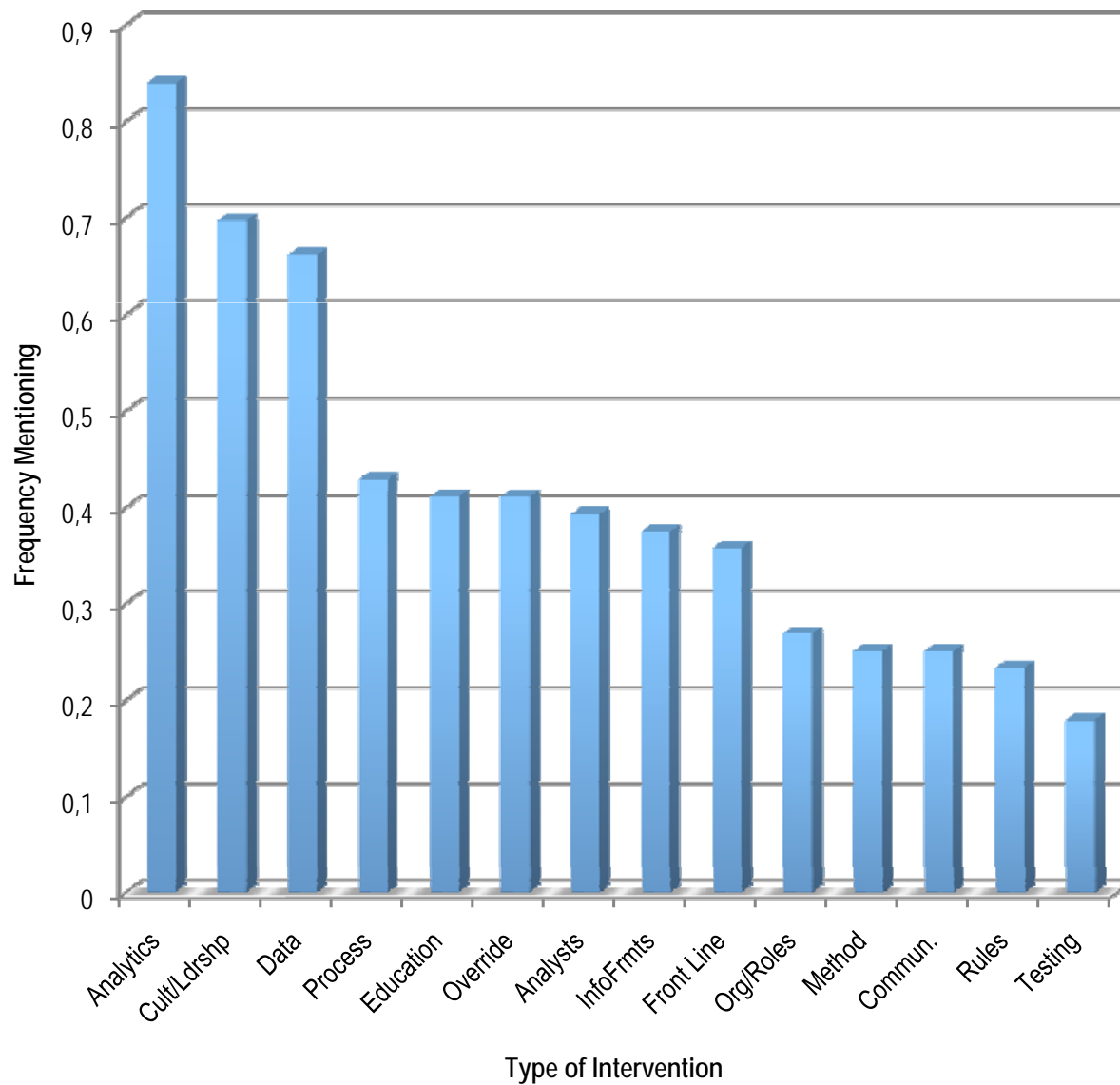
Better
Decisions

Intervene

Institutionalize



Most Common Decision Interventions





Multiple Interventions: Better Pricing Decisions at Stanley

- ▶ Pricing identified as one of four key decision domains
- ▶ Pricing Center of Excellence established in 2003
- ▶ Adopted several difference pricing methodologies
- ▶ Implemented new pricing optimization software
- ▶ Regular “Gross Margin Calls” for senior managers
- ▶ Offshore capability gathers competitive pricing data
- ▶ Some automated pricing systems, e.g., for promotions
- ▶ Center spreads innovations across Stanley
- ▶ **Result: gross margin from 34% to over 40% in six years**





Keep in Mind



- Five levels, five factors for building analytical capability
- Data and leadership are the most important prerequisites
- Make sure your targets are strategic
- Tie all your BI and analytics work to decisions
- Never rest!