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Dear Readers,

You'll find some eye-opening research results in this issue. Discussions with executives from 30 leading companies reveal that the industry leaders all have one thing in common: the ability to make business decisions based on tightly focused, fact-based analysis. Get the inside scoop – and a complimentary copy of the research report – in the lead article below.

Want to know how companies are using business intelligence to hit it out of the park? Check out the article below on *Computerworld's* special report, "BI Home Runs".

Happy reading!

A handwritten signature in black ink that reads 'Anne-Lindsay Beall'.

Anne-Lindsay Beall
Editor, *SAS Business Report*

Execs See BI and Analytics as Crucial Competitive Advantage

[Business intelligence](#) capabilities and analytic prowess will play crucial roles in the most competitive sectors of the global economy, according to a recent academic research study. But research showed that an organization's efforts to develop fact-based decision-making capabilities are likely to fail unless it receives active support from top managers.

"We've reached a critical juncture in the history of global competition. In this age of intelligence, analytics has emerged as the newest form of competitive differentiation," says Thomas Davenport, the Director of Research for Babson's School of Executive Education at Babson College in Wellesley, MA. "After years of fitful progress, leading firms have begun basing their competitive strategies on the sophisticated analysis of business data."

The research study, titled "[Competing on Analytics](#)," was based on discussions with C-level executives and directors at more than 30 industry-leading and globally competitive organizations. Davenport cited organizations such as Capital One, [Harrah's Entertainment](#), Progressive Insurance, Marriott, Procter & Gamble, Wal-Mart, and sports teams the New England Patriots and Oakland Athletics as true "analytical competitors" that have all excelled through a greater reliance on analytic processes and technologies.

"We were surprised by the extremely high degree of interest and involvement in this subject area," Davenport says. "The executives we questioned were clearly interested in identifying the best strategies for organizing analytic operations on an enterprise scale. They're really taking this seriously."

Research findings ...

"Many companies today use business intelligence for specific applications, but these initiatives are usually too narrow to affect corporate performance," says Davenport, who is the President's Distinguished Professor of Information Technology and Management at Babson. "The organizations we interviewed, however, are building broad capabilities for enterprise-level business analytics and intelligence. Their capabilities go well beyond data and technology to address the processes, skills and cultures of their organizations. These strategies are driven by CEOs and senior executives who insist on fact-based decisions throughout their businesses."

"The use of analytics, statistics and fact-based decisions in business is not new," Davenport explains. "What is new is that for an increasing number of companies, these activities have moved from the margins to the mainstream. For many, the use of analytics has become a primary activity used to support the overall business strategy. Analytics helps organizations make better decisions and enables optimization of key business processes. This research also revealed that analytics can create value regardless of the company's industry or situation, and that leading companies are using analytics to support and improve their distinctive capabilities."

Davenport says organizations successfully competing on analytics exhibit a set of common attributes, including:

- **CEO commitment** – To use analytics as a basis for competition requires commitment from the top of the organization. It requires an allocation of resources, long-term funding and, in some cases, a shift in culture.

- **Strategic focus** – Successful users of analytics don't just use analytics in general. They first define their distinctive capability and then use analytics to support that capability.
- **Enterprise application** – Firms that compete on analytics don't manage it locally. They eliminate fiefdoms of data, centralize the data and expertise, and manage analytics at the enterprise level.

"Professor Davenport's new research supports our longstanding belief in the strategic value of business intelligence," says Dr. Jim Goodnight, CEO and co-founder of SAS. "As the future unfolds, competitive organizations will depend increasingly on integrated processes for analyzing data from multiple sources. More business decisions will be made on the basis of facts and evidence, and fewer business decisions will be made on the basis of instinct and guesswork. From our perspective, that's a positive development."

Davenport says the research study grew from his interest in learning more about how large organizations build analytic capabilities, convert data into knowledge and use business intelligence to create value. He says he was gratified by the level of engagement demonstrated by the executives.

"The net takeaway of the study is this: The ability to make business decisions based on tightly focused, fact-based analysis is emerging as a measurable competitive edge in the global economy," Davenport says. "Organizations that fail to invest in the proper analytic technologies will be unable to compete in a fact-based business environment."

In February of 2007, Harvard Business School Press will publish Davenport's newest book on this same topic, titled [Competing on Analytics: The New Science of Winning](#). To learn more about or participate in this ongoing research study, contact [Thomas Davenport](#).

SAS Customers Hit “BI Home Runs”

A report from *Computerworld* describes how three SAS customers are using business intelligence to transform the bottom line.

Business intelligence (BI) takes raw data and turns it into usable information that helps executives make better business decisions – leading to improved processes, increased sales and savings, and a better bottom line. The companies that are using BI are setting themselves apart from the competition, and a special report from *Computerworld* called “BI home runs” features 15 companies, including three SAS customers – United Pipe & Supply, Dreyfus and Highmark – that are stellar examples of better business decisions through BI:

United Pipe & Supply

"Staying Stocked During Disaster"

While many companies still haven't recovered from Hurricane Katrina, United Pipe & Supply Co. managed to keep growing.

Chemical plants along the Gulf Coast that produce the plastic resin used for making PVC pipe were shut down by the storm, which sent prices soaring and severely limited supplies for most pipe dealers. But according to the *Computerworld* article, “United Pipe & Supply, however, found it could use its business intelligence software to maintain its supply lines by ordering only the exact items it needed at a given point in time.”

Computerworld goes on to describe how United Pipe & Supply has transformed many aspects of its business operations using BI software. “The company's pretax profit margin increased from 1.5% in 2003 to 4.7% in 2005,” the article states, “and in the past two years, its income before tax has risen from \$2 million to \$8.2 million.”

The Dreyfus Corp.

"Testing a Campaign's Success"

In 2005, The Dreyfus Corp. ran a marketing campaign to sell a new mutual fund to existing customers, but the sales push wasn't overly successful. Determined to find out why, John Dryzga, associate director of database marketing drilled through the data with Dreyfus' business intelligence tools and found that the campaign was a big success among customers who already owned another specific fund. According to the *Computerworld* article, this information led to a change in tactics: “Dryzga says, officials knew that ‘the next time we did this type of mailing, we would only concentrate on customers who had this fund.’ ”

This seemingly minor decision resulted in a financial windfall.

“Prasanna Dhore, executive vice president of distribution, says the narrower [marketing] campaign had a payback of 12 months, compared with four to five years for a broader one. Moreover, by selectively targeting recipients for a sales pitch, Dreyfus cut the cost of such campaigns by 50% compared with five years ago, he says.”

Highmark Inc.

"Detecting a Web of Fraud"

In this BI success story, Computerworld describes how a band of chiropractors, with the help of insured "patients," bilked several insurance companies out of millions. Now these fraudsters are facing \$7 million in fines and up to seven years' imprisonment – all because independent Blue Cross Blue Shield provider Highmark Inc. used a new business intelligence application to fight back.

Through the use of detailed BI analysis data and reports, Highmark identified suspicious treatment and billing patterns. The article details how the carrier then tipped off other insurance providers to the falsified claims and collectively filed charges against the chiropractors, one of whom will be sentenced this fall.

SAS Shows “Highest Momentum” in Business Analytics

SAS demonstrated “the most diversity and highest momentum” among the top vendors in the business analytics software market in a report issued by prominent analyst firm IDC.

According to IDC’s [“Worldwide Business Analytics Software 2006-2010 Forecast and 2005 Vendor Shares” report](#) (Doc # 203468, Sept. 2006), SAS’ sales of business analytics software totaled \$1.39 billion in 2005, growing 13.6 percent over the previous year’s figures and giving SAS an 8.4 percent share of the overall market.

Topping the big ten

The authors noted that, of the top ten vendors – SAS, Oracle, IBM, Microsoft, SAP, Business Objects, Cognos, Hyperion Solutions, Teradata and Fair Isaac – “SAS has the most diversity within the [business analytics] software market. SAS has a broad portfolio of products that spans all segments of the market. At the same time it holds one of the top shares in several of the [business analytics] market segments.”

"SAS also had the highest market momentum in the business analytics market," says Dan Vesset, Research Director at IDC. "IDC defines momentum as the company's growth rate weighted by company size in revenue. Given its large size (\$1.4 billion) in the BA market, SAS still experienced an above-market growth rate of 13.6%."

A growing market

Overall, IDC says the worldwide market for business analytics software, which includes both application development tools and packaged analytic applications, reached \$16.6 billion in 2005, an increase of 11.0 percent over 2004. The authors expect the market for business analytics to grow about 10 percent per year through 2010.

Today’s news follows two other recent IDC reports demonstrating SAS’ leadership in the market for business intelligence software:

- SAS is ranked second in sales of business intelligence tools in Western Europe according to IDC’s “Western European Business Intelligence Tools, 2005 Vendor Shares” report (Doc # LT07N, Aug. 2006). SAS’ sales of BI tools grew to 184.6 million Euros in 2005, an 11.6 percent increase over 2004’s figures.
- For the second year in a row, SAS was acknowledged as the leader in business intelligence and analytics applications sales in Latin America. SAS was reported with a 15.25 percent market share in the “Latin America Semiannual Business Intelligence and Analytic Applications Tracker (2005 data)” report (Doc # LA1677, Jun 2006). [Read more.](#)

The SAS advantage

“IDC’s business analytics report further illustrates the advantage that SAS provides to customers today,” says Jim Davis, Senior Vice President and Chief Marketing Officer for SAS. “We supply a wide range of solutions for lines of business as well as specific vertical industries on the SAS Enterprise Intelligence Platform. These solutions work together to integrate individual technology components within an existing IT infrastructure into a single, unified system that transcends organizational silos, diverse computing platforms and niche tools.”

“It’s a SAS World ...”

And other analytics vendors are just living in it – so says *CRM* magazine, which rated SAS No. 1 in customer relationship management analytics.

For the fourth year in a row, *CRM* magazine has named SAS the leading provider in customer analytics. When the magazine unveiled the 2006 CRM Market Leader award-winners in its Oct. 1 issue, SAS placed No. 1 in the Customer Relationship Management (CRM) Analytics category and was listed as a leader in the Marketing Automation category. DataFlux, a SAS company, came in as the winner in the Data Quality category. But the kudos didn’t stop there.

Here’s what the magazine had to say about SAS’ win in the CRM Analytics category:

SAS Institute knows analytics and everybody knows SAS. It once again came out as the leader of the leaders, attaining the highest marks in all categories With the release of 10 vertical solutions this March, including new offerings in the telecom and manufacturing industries, SAS shows that it is continuing to play into the needs of its broad customer base.

"It's a SAS world," says Bruce Beigel, senior marketing director at Winterberry Group. It is clear that until other vendors ramp up their data preparation and analysis tools, everyone else is just living in it.

– Jessica Sebor, writer for *CRM* magazine.

Robust BI

In the Marketing Automation category, SAS was recognized for “harnessing its robust BI to create a customer intelligence product line.” *CRM* magazine made specific note of on-demand versions of SAS® Veridien® MRM and SAS Marketing Automation.

In 2004, *CRM* magazine inducted SAS CEO Jim Goodnight into its Hall of Fame for his contributions to the CRM industry.

The SAS approach

SAS views customer intelligence as an end-to-end process, which should be provided by a software platform designed specifically so people with a variety of backgrounds can generate intelligence in their day-to-day jobs. SAS’ customer intelligence solutions span:

- Campaign management.
- Cross-sell/up-sell.
- Customer retention.
- Customer segmentation.
- E-mail marketing.
- Interaction management.
- Campaign optimization.
- Marketing performance management.
- Web analytics.

SAS Customer Intelligence solutions are built on the SAS Enterprise Intelligence Platform, which serves as the foundation for creating and delivering accurate, in-depth intelligence, and can be extended, customized and integrated with other SAS applications – and other vendor’s applications – to deliver new solutions and meet unique business requirements.

Demand Soars for Business Forecasting

Does your forecasting software provide large-scale automation? It does if you're one of the 4,000 companies using SAS® forecasting solutions.

When the world's leading business forecasters gathered at the [Forecasting Summit 2006](#) in Boston, some of the event's biggest buzz surrounded the strong cross-industry adoption of [SAS Forecast Server](#). SAS dominates the business forecasting market with more than 4,000 unique customers globally for its forecasting solutions.

"SAS Forecast Server has been extremely popular because it's the only forecasting software that provides large-scale automation," says Mike Gilliland, Product Marketing Manager at SAS. "The automation allows analysts to focus efforts on high-value forecasts. With more attention on the most important business decisions, SAS Forecast Server customers can achieve a competitive advantage in customer service and resource management, while using less management time in the process."

Industry pundits have also taken note, awarding SAS Forecast Server accolades such as Product of the Year from *Communications Solutions* magazine and Trend-setting Product of the Year from *KMWorld*.

Delivering better forecasts

With new patent-pending functionality, SAS Forecast Server helps companies save money and time by improving the overall planning process by delivering better forecasts. This latest forecasting offering from SAS includes large-scale, automated forecasting and time series mining to uncover time-related patterns and trends. Its interactive user interface eases forecasting, putting sophisticated technology into the hands of even novice forecasters.

SAS® forecasting in action ...

Waitrose, the food shops of the John Lewis Partnership in the United Kingdom, selected SAS forecasting software to better manage its supply chain. SAS forecasting software, built on the SAS®9 Enterprise Intelligence Platform, will help Waitrose forecast demand for its products based not only on the history of each item, but also on any number of causal variables, events or holidays.

"SAS' event forecasting enables us to incorporate knowledge about our business into the forecasting process and enables us to forecast the demand for thousands of items quickly and accurately," says Rob Thompson, Head of Supply Chain at Waitrose. "We anticipate that the return on investment we will achieve on reduced wastage and increased revenues will be significant."

New adopters of SAS Forecast Server include:

- Capital Card Services
- Wells Fargo Bank
- RJ Reynolds
- DaimlerChrysler
- JC Penney
- Mark's Work Wearhouse
- AB Kvallstidningen Expressen
- Six Continents Hotels
- North-West University

- Time
- Tribune Co.
- UPC Broadband
- Union Pacific Railroad.

Events:

New Exploratory Analysis Course

Beginning in November, SAS' Business Knowledge Series will offer a new course for professionals who need a fresh perspective on supporting their organizations through predictive analytics. [Read more](#)

Anti-Money Laundering Webcast

Nov. 1, 1:00 p.m. ET

Tune in to learn how leading compliance organizations are succeeding with a risk-based approach to anti-money laundering. [Read more.](#)

Webcast: The CFO/CIO Dynamic

Nov. 2, noon, ET

Watch this Webcast to learn how Finance and IT can transform their roles and add greater value. [Read more.](#)

Webcast: Mining Methodologies

Nov. 7, 1 p.m. ET

Learn how data mining can help answer the fundamental business questions associated with successful cross- and up-selling campaigns. [Read more.](#)