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SAS® BUSINESS REPORT

## Dear Readers,

Author and educator Thomas Davenport is one of the 10 "masters of the new economy," according to *CIO* magazine. His groundbreaking research into how leading companies use analytics shows that if you're not using data to "out-think" your rivals, then you're missing out on a potent competitive tool. In this issue, he shares key takeaways from his research.

Also in this issue, tips for making performance management fun (yes, really), a new SAS blog and your answers to our BI survey.

Happy reading!

Anne-Lindsay Beall

Anne-Lindsay Beall
Editor, *SAS Business Report*

## How to Compete on Analytics

Thomas Davenport describes the prerequisites and the five stages of analytic competitiveness

By Alison Bolen

Thomas Davenport's article "*Competing on Analytics*" was the best-selling *Harvard Business Review* reprint in 2006. To write it, Davenport,The President's Distinguished Professor in Management and Information Technology at Babson College, studied the characteristics of more than 50 leading organizations that have made a commitment to quantitative, fact-based analysis.

Why is the January 2006 *Harvard Business Review* article so popular? We recently asked the author and educator that question and discussed further insights from his research that will be detailed in his new book, *Competing on Analytics: The New Science of Winning*.

Here, Davenport, one of the 10 "masters of the new economy," according to *CIO* magazine, tells us what he's learned and what every company can take away from his research.

**What are the three most important takeaways of your research?**
**THOMAS DAVENPORT**: One – which might not be surprising to the average SAS reader – is that companies and organizations are finally doing something with all their data. After years and years of accumulating it and thinking they needed better transaction data, a lot of organizations are finally at the point where they say, "OK, we don't have any excuses left. We need to start managing our business differently on the basis of our data."

The second takeaway is that you can successfully compete on analytics. And that really is the primary point of the research. I don't think that anybody had made that point before: that analytics could be an integral part of your strategy.

The third important takeaway is that you need more than data and technology to be an analytic competitor. The real differentiating factors tend to be human factors, like leadership and passion and skills and relationships, which I think have largely been neglected in all other discussions on business intelligence throughout the years. The companies that have a lot of analytical sophistication also have a lot of smart people around. I don't think that's a coincidence.

**What needs to be done before a company can begin to compete on analytics?**
**DAVENPORT:** There are two major prerequisites. One is human, and the other is technical. The human prerequisite is that you need to have leaders who appreciate and understand what it means to compete on analytics, and want to do it. Second, having high-quality, integrated, clean data is something of a prerequisite. One of the reasons that companies are interested in this right now is because they finally have access to all this data from ERP systems, Web reports, point-of-sale systems and so on. Today the tools that SAS and others provide for integrating and cleaning data are better than ever before.

**From there, what are the stages of competing on analytics?**
**DAVENPORT:** I call stage one "analytically impaired," which means some fatal flaw is keeping the company from doing much with analytics at all. Either the executives just don't care or they have bad transaction data or they have lots and lots of data silos around the organization – something major keeping them from doing this at all.

Stage two is what we used to think of as a best practice in business intelligence, which is a lot of little pockets of analytical activity around the organization – not connected, no vision of what you could do with it at all. I sometimes call this the Aleutian Island strategy: There are a lot of little pieces of land but not much impact on the world because they're so disconnected and isolated.

Stage three is when somebody important to the organization's strategy decides there can be a different way to do it, and they create a vision. They think about what aspects of the business it might drive or enable, and they start assembling the capabilities to actually pull off some analytical competition.

Stage four companies have most of the pieces in place except for maybe the passion of leadership. They know where analytics might be relevant to the business. They know what human capabilities they need, and they've assembled those. They've bought a lot of SAS software. They have the right hardware architecture in place. It's a part of what they do, but it's not yet the primary focus for their competitive strategy.

Stage five is the full-bore analytical competitors that consciously and visibly use analytics as a primary factor in their competition and strategy. These organizations have made a conscious decision at the highest levels to compete on analytics. They have identified the key strategies and capabilities to be sup ported by analytics, and are actively using analytics to influence the ways they conduct business.

**Why do you think this research is resonating so strongly with executives right now?**
**DAVENPORT:** I think senior executives have realized that ultimately the only way they can compete effectively is to have better processes than anybody else. But to have better processes, you have to have better data and – ultimately – have analytics integrated within those processes.

Also, I think there's competitive pressure. In most industries, there's at least one company that's adopted this approach, and they're doing pretty well, so people are taking notice. Executives are saying, "Maybe we should be doing more of that as well."

Finally, we've kind of been in an IT-oriented slump over the last five years or so. There's been a period of IT defensiveness where everyone has been worrying about risk, Sarbanes-Oxley, Y2K and similar concerns. This research offers more of a positive message for IT and one that's consistent with companies starting to focus more on how to grow and how to innovate.

**What should readers expect to learn from your new book that they haven't already learned from your article in the *Harvard Business Review*?**
**DAVENPORT:** The book offers more of everything: more examples, more details, more guidelines about how to get there and what the journey is. There are chapters on the key resources. There's a whole chapter on the people side, a whole chapter on the technology. There's a lot more detail in the examples. So it's the same fundamental message, just a lot more of everything. A lot more insights as to how you actually do it as opposed to just describing the phenomenon, which I would argue was the purpose of the *Harvard Business Review* article.

## How Can You Make Performance Management Fun?

The air carrier that built its business on “making flying fun” has done it again – Southwest Airlines has made implementing performance management not just fun for its employees, but profitable, says Performance Management expert Gary Cokins in his most recent article for *DM Review*.

**Available online only at: http://www.dmreview.com/article_sub.cfm?articleID=1081778**

## What Are We Blogging About?

We’re discussing NBA MVPs and the upcoming book *SAS for Dummies* at the new **sas**com voices blog. Come join the conversation: blogs.sas.com/sascom

**Available online only at**: http://blogs.sas.com/sascom/

## The Performance Management Exchange

*BusinessWeek* and SAS have conducted a survey to learn how C-level executives use performance management to create smart, profitable growth. See the research results, listen to podcasts with real-world successes, download complimentary resources and more.

**Available online only at**:
http://knowledgecenter.businessweek.com/performancemanagement/index.html

## Your Visions for Business Intelligence

Readers respond to online survey about the future of business intelligence

By Alison Bolen

At the end of 2006, we conducted interviews with SAS executives, industry experts and leading research analysts – asking each the same set of questions about the role of business intelligence (BI) in the next two to five years. We published their responses in the first quarter 2007 issue of **sas**com and online at www.sas.com/sascom-bifuture. In those articles, we also invited you, our readers, to offer your perspectives on business intelligence. Here, we publish some of your responses.

**What is your vision of how business intelligence will be used two to five years from now?**
*BI may well "govern" enterprise decision making. Those enterprises with a strong BI focus will be far more profitable and less costly than those that are inflexible and unfocused.* – Don Kellond, Project Manager, Centrelink, Australia

*Real-time integration with key business functions. Varied information delivery capabilities. Ability to map the growing mobile market with instant access to BI information.* – Senthil Mohan Kumar, Business Analyst/Architect, PGS Ventures, India

*BI will be the venue where the ANSWERS appear. If the BI solution is effective and intuitive and simple in its delivery, then the business will take to it.* – C. Noble, Senior Information Analyst, one of the top five financial corporations in Canada

**What capabilities will be widely available in BI solutions of the future?**
*Predictive analysis will mature to merge with data mining and tell users – or alert users – of answers to questions they didn't think to ask.*– Karen Degner, Managing Principal, BPM Paradigms LLC, United States

*BI solutions will include strong analytics and will focus on the interfaces between the corporation and all its stakeholders, as this is where improved value comes from. Therefore, a strong ability to allow inputs from external systems and search engines to updates BI will be important*. – Gary Ferguson, BI thought leader, Harmony Re, South Africa

*Real-time capabilities, allowing [organizations] to sift through vast amount of data in real time, delivering instant insights, leading to a perfect match of the customer experience with his/her expectations.* – Dr. Jean-Marie R. Fiechter, Senior DWH Architect, CubeServ Group, Switzerland

*Unstructured data capture, larger focus on nontraditional data sources and lighter user infrastructure*. – Anil Pillai, CEO, rapidEffect Ltd., India

**What should organizations be doing now to help lay the foundation for long-term BI strategies?**
*Develop in-house talent. Develop data warehouses to respond to future applications such as text mining. Develop strong relations with outside expertise and vendors*. – Charles Patridge, Senior Data Engineer, Full Capture Solutions Inc., United States

*Standardize on one or two platforms through competency centers or strategy offices that drive harmonization across global organizations.* – Jackie Anthony, Commercial Executive, Atos Origin, Great Britain

*Integrate data and manage the metadata. Deploy a sophisticated BI framework. Form a decision-flow process to make decisions more manageable*. – Liu Qing, Consultant, Canada

*Train leaders to delegate duties. Scrutinize the organization's activities. Have a high level of fraud control. Have good management of employees, their performance evaluations and their pay. Regard the customer as the sole heart of the organization's operations*. – Nantanda Rose, Finance Analyst, Sir Apollo Kaggwa Schools, Uganda

*Build the skills in-house on how to adequately identify the analytical needs. Cultivate deep knowledge of the core businesses, which serves as a basis for substantial analytical capability.* – George Leburu, Stream Leader of Wires and Business Processes, Eskom Distribution, South Africa

*Understand complexity and focus on getting data out of the warehouses and onto the desktop. DIY BI will engage leadership*. – Mike Morrison, Director, Morison Associates Ltd., Scotland

**How might the BI vendor landscape look in two to five years?**

*Vendors will be able to offer a wider range of solutions, primarily in the services space, especially the business process outsourcing space, which throws a different kind of challenge on information sharing and management*. – Shrikant Govil, Assistant Vice President, ABN AMRO, India

*For the smaller users, such as small- to medium-sized businesses, a complete suite alternative will be essential for getting started. Performance, scope and flexibility, and ease of use are mandatory.* – Fred Mayer, Consultant, FedEx, United States

# Barclays France Improves Customer and Product Profitability

Optimized relationship management, new cost-benefit ratios drive better targeting of sales efforts and distribution channels

*By Carole Boustani*

Barclays Bank France specializes in providing financial and investment solutions for international, private and corporate customers with high net worth. In a market where competition is rife and market shares are anything but stable, how can valuable customer and product profitability data be translated into increased profits? Patrick Moyon, Director of Management Control, Planning and Project Finance, answers questions on how Barclays France does it.

**What is the market context in which Barclays operates?**
**PATRICK MOYON:** In France, Barclays is operating in a market of 4 million customers, which makes it the fourth largest in Europe after Germany, Great Britain and Italy. This market is encountering strong growth while at the same time suffering from heavy fragmentation due to more than 1,000 suppliers. We have, therefore, significant potential to develop our business.

**What strategy has Barclays deployed to grow market share and retain customers?**
**MOYON:** The financial awareness and level of expectations of these customers has increased, and in many cases they have accounts with several banks. The key to our success is a distribution model based on personalized relationship management.

**What means are available to you for leveraging profitability?**
**MOYON:** There are several, and the key to it all is improving our understanding of each one of them, whether it is the profitability (versus costs), the overall number of products, the optimization of each field of activity (possibly involving outsourcing), the identification of the best distribution channel for each product or even finding specific responses for each customer segment (commercial companies, private banking, international customers).

Barclays France improves its product and client profitability management by using SAS Activity-Based Management. It gives us a new view of profitability by product and client to support action plans for the business and the operations.

With SAS technology, including Enterprise BI Server, we are now able to anticipate our customer needs and target our marketing efforts. But it provides much more than that. We are also able to analyze customer profit and preference together with product profit versus cost for a much deeper understanding of how each affects the other.

**What were the factors that sparked your recent management project?**
**MOYON:** Faced with this need to improve our knowledge, there were really two factors that caused us to kick off our management project. First, subsequent to an internal reorganization, we had to integrate a customer base of 1,200 international corporate customers. Second, it was then necessary to merge the business models of two activities recently integrated in the group, namely those of ING Ferri and ING Private Banking, which meant exploiting the synergies and the creation of a common fee structure.

**When did the management project begin?**
**MOYON:** Our management initiatives go back to the mid-'90s and have been ongoing. Set up in 1995, our data warehouse already had the management information. Two years later, we developed a tool for measuring the net yield per customer, which was made available to the relationship managers. Then we added a summary analysis and reporting tool. The distribution functionality of this tool has not yet been developed.

The real problem was that the system was not adaptable, and could not provide a basic view of costs or profitability by customer and by product. Our new management initiative rectifies this.

**What are the objectives of your new management initiative?**
**MOYON:** The objectives are to improve company management by means of a tool for measuring profitability on a per-customer basis, and at the same time to review the adequacy of the reallocation of our costs. Basically, it is a question of optimizing the cost-benefit ratio and allowing the sales force to adjust its goals for each customer segment, based on profitability criteria.

This means that many of the management teams have a direct interest in this project initiated by Finance Management: for example, Risks Management to define lending policy and set profitability targets; Marketing Management for improved targeting and one-on-one operations, while at the same time standardizing marketing policies for each customer segment; or even Distribution Management, which sees an opportunity to improve the customer knowledge of its financial consultants.

**Could you describe the approach taken?**
**MOYON:** Following a framework study carried out in January/ February 2005, we benchmarked the solutions. We had to take account of certain elements guiding our choices, including on the one hand technical constraints (integration of existing architecture, handling large volumes), but also others, such as whether calculations could be audited, the user-friendly distribution of the data or even the integration of management forecasting functions.

We developed a prototype between February and June 2005, which we subsequently deployed for corporate customers. The last quarter of the year was devoted to restructuring costs allocation per cost center, then by activity, product and customer. We are currently in the process of integrating our retail banking customers.

Finally, information is disseminated on several levels: The relationship managers have access to operational profitability data, to which is added the commercial profitability for the bank branch managers and cost center profitability for headquarters management.

**How would you evaluate the outcome today?**
**MOYON:** The principal outcome is our ability to have the overview, which allows us to position customers not only in terms of the income they bring but also in terms of their profitability. In this way we have highlighted customers showing negative profitability, the operational implication of which was a review of their balance sheet. So the net profitability per customer is no longer the only criterion taken into account, as it is essential to integrate the profitability criterion into our analysis. More generally, we have an overview of income together with the cost of doing business, and thus a preliminary idea of the cost of the products.

**And the learning points?**
**MOYON:** I think it is important to appropriately manage the risks associated with this approach and those linked with the sensitivity of the information obtained and handled, especially by properly defining the objectives of such a project. It is vital to share the same vision of such a decision support tool in terms of the way it is handled and the use to which it is put.

Regarding the implementation, there are two key lessons: the need for an in-depth review of the historical situation before implementing any kind of a forecasting or behavioral approach, and the importance of the synergy generated within the project team.

**About Barclays**
Barclays is present in more than 60 countries via 800 international branches serving more than 20 million customers. In France, Barclays provides financial and investment solutions for 150,000 international, private and corporate customers, and has more than €11 billion (US$14 billion) under management, via a network of 53 branches.

## Events:

**Executive Series on Analytics**
March 26 – June 27, in a city near you
Select a city and register now to hear author Tom Davenport explain how analytics can give your organization competitive advantage.
Register at: https://secure.ed4.net/hbsp/sas07/?n=192&l=&c=&e=

**F2007 Business Forecasting Conference**
June 4 – 5, Cary, NC
Learn the latest theories, trends and best practices in business forecasting from the world's top forecasting experts.
Read more at: www.sas.com/f2007

**JMP® User Conference**
June 12 – 13, Cary, NC
Shed more light on your data at the fourth annual JMP user conference.
Learn more at: https://www3.sas.com/training/jmp.html