



SAS® Business Report

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Dear Readers,

2008 looks to be the year that many companies go BIG with business intelligence (BI). Will you be one of them? Read on to learn how some of the world's smartest organizations will use BI to get ahead of the competition this year.

SAS is starting off the year with a bang -- we're featured in the next must-read business book, [*The Breakthrough Company: How Everyday Companies Become Extraordinary Performers*](#), expected to debut as a *New York Times* best-seller.

Also in this issue, you'll learn how to [improve customer interactions](#) with real-time decision making and how performance management can help you [increase sales to existing customers -- and find new ones.](#)

Happy New Year!
[Anne-Lindsay Beall](#)
Editor

SAS News

Going BIG with BI

11 SAS customers share their plans for business intelligence in 2008

By Michael Dowding

When it comes to business intelligence (BI), there's no time like ... the future. That's because – despite the staggering value that it has delivered across every major industry over the past 18 years – the best days for BI may just lie ahead. In its most recent analysis, IDC predicted a five-year compound annual growth rate of 10.3 percent¹ – heady growth for an enterprise software category that has seen such broad adoption and has been viewed in some quarters as “mature.”

What's driving the impressive and sustained interest in BI? Perhaps the greatest overarching factor is simply the universally acknowledged truth: Data volumes are growing relentlessly. Investments in enterprise applications have created massive stores of data that contain strategic insights for organizations that can unlock that potential.

Philosophically, many businesses are also recognizing that broader deployments and wider adoption of BI – in both process-oriented and strategic contexts – can ratchet their returns further. Previously, BI was a department initiative for specialists. Today, it's a pervasive business tool available to everyone, from call-center reps to middle managers and senior executives who have access to more powerful sets of analytics, interfaces and tools.

In the following vignettes, 11 SAS customers share their perspectives on how they foresee their BI deployments unfolding in 2008 – and beyond. We invite you to learn a little more about why we think the future of BI has never been brighter.

[CIGNA HealthCare](#)

Healthcare insurance, USA

Focus: BI data integration and information management

[Myer](#)

Retail, Australia

Focus: data mining for customer intelligence

[ENMAX Energy Corporation](#)

Energy, Canada

Focus: custom analytics for risk and product pricing

[ABSA Group](#)

Financial services, South Africa

Focus: data consolidation and user-controlled reporting

[Companhia Energética de Minas Gerais \(CEMIG\)](#)

Energy, Brazil

Focus: customized portal pages and advanced analytics

[Vodafone](#)

Telecommunications, Italy

Focus: real time analytics and increased personalization

University of Central Florida

Education, USA

Focus: dashboard and scorecard functionality in a user-friendly Web environment

Spaipa S/A

Manufacturing, Brazil

Focus: strategic management mapping with performance management

General Public Accounting Department of France

Government, France

Focus: performance-management dashboards and data quality

Fortis Retail Banking

Retail banking, Belgium

Focus: data warehousing to support customer relationship management

California Employment Development Department

Government, USA

Focus: expanding BI to more users

¹ Source: IDC. *Worldwide Business Analytics Software 2007-2011 Forecast Update and 2006 Vendor Shares: Business Intelligence, Data Warehousing, and Analytics Applications Forecasts Point*. IDC #208699e, excerpt from IDC #208699. Sept 2007.

Stellar SAS performance over 22-year span earns BI leader mention in *New York Times* bestseller

“Breakthrough Company” highlights business value behind SAS benefits

For more than three decades, SAS has quietly made advanced analytical software that touches all modern life, [individual](#) and [organizational](#). But the press has mostly focused on SAS’ [acclaimed](#) corporate culture, evidenced by segments on [Oprah](#) and CBS’ [60 Minutes](#) and countless other media mentions. [Keith McFarland’s](#) bestseller “[Breakthrough Company – How Everyday Companies Become Extraordinary Performers](#)” takes a new tack.

McFarland, a [BusinessWeek columnist](#), gives readers insight into the business behind the benefits, shining a spotlight where SAS CEO [Jim Goodnight](#) wishes it would stay – on SAS’ relentless focus on serving and satisfying customers.

“SAS owes its ‘breakthrough’ performance to high levels of employee commitment that leads to customer loyalty,” said Goodnight, who is quoted in the book along with SAS CIO [Suzanne Gordon](#). “It is gratifying to have that story told in such a public way.”

McFarland, himself a former technology CEO, said: “Our research team could have spent a year at SAS and still not captured how truly unique this company is. Most business books are written by people who merely cherry pick interesting companies to write about. In this book, companies weren’t simply chosen because they were interesting. SAS made it into the book because, when compared to the performance of more than 7,000 other growth companies over a 22-year period, its performance put it in the top nine performers.”

The book notes that only one tenth of one percent of companies exceeds \$250 million in annual sales. SAS, with revenues exceeding \$2 billion, is one of two software companies cited among a total of nine companies profiled.

SAS’ success is contrasted with the modest growth of its analytics rival SPSS, and Goodnight skewers another competitor for expecting payment to expedite technical support service. SAS provides its customers free unlimited technical support as part of an annual license fee.

McFarland spent five years building and analyzing the world’s largest growth-company performance database and interviewing hundreds of executives on four continents. SAS and eight other companies were found to best illustrate “breakthrough” dynamics. The profiled companies, averaging \$900 million in annual sales, share four characteristics. Each company:

- Exhibits a sustained trajectory of growth in both revenues and profits.
- Is an industry sector leader in terms of products, customers and profits.
- Has reached “critical mass” of at least \$250 million in annual sales.
- Is largely run by the same management team that was in charge when the breakthrough occurred.

Do you want batteries with that?

How to improve customer interactions with real-time decision making

By Larry Mosiman

When your customers are making decisions on the spot, the timeliness and relevance of your interactions with them become even more critical. But how often does on-the-spot decision making actually occur? According to the Peppers & Rogers Group article “Stop Random Acts of CRM,” as much as 50 percent of the customer decision-making process occurs in real time.

Now more than ever, it's vital that your customer contacts know how to make high-quality, real-time decisions during each customer interaction. Immediate decisions must be relevant to customers' needs and values, reflect the strategy of the business, and help maximize the organization's profitability. Being able to make those top-notch decisions repeatedly can separate highly successful businesses from those that struggle or fail.

Using real-time decision-making technologies can provide a framework for:

- Meeting the ever-changing needs of the customer.
- Automating and controlling the decision-making process.
- Adapting to changing business strategies.

New technology makes previous approaches obsolete

Making decisions in real time is nothing new. What is new is the latest breed of decision-making technology that enables an organization to manage real-time decision making effectively. These technologies are designed with easy-to-use interfaces for call-center and customer-care employees, but they are managed and controlled behind the scenes by business analysts.

Because decision criteria can be modified within the system, analysts can make changes to streamline the development and implementation of new business strategies. Prior to the availability of this type of technology, decision logic was hard-coded in a call-center or Web-based system.

Today's technologies take advantage of a service-oriented environment, so organizations can react to changes in the marketplace at the speed of business – not the speed of IT development cycles. Prior to the availability of real-time decision making, organizations would often precalculate many important factors in an attempt to predict a customer's future behavior. However, this approach had three main problems:

1. The factors often became obsolete as situations changed and new information was gathered.
2. The sheer volume of alternatives, and the frequency with which they were calculated, placed a huge burden on the IT infrastructure.
3. Most organizations used only the most simplistic rules or business logic.

Now, organizations can be more successful and increase the long-term value of customers with business-oriented technology that:

- Employs an open and scalable architecture.
- Delivers advanced decision-making capabilities.
- Provides the information needed to make smarter marketing decisions.

Making real-time decisions in the call center and online

Today's customers expect a personalized experience whether it's through the Web, call center or other customer touch points. Customers want to be sure that companies address their needs and treat them as individuals.

Let's illustrate how a real-time environment might work in a call center. A customer calls in to check her account balance and inquire what the minimum balance is to avoid penalty. Based on these inputs, plus the customer's past behaviors and transactional history, the real-time decision-making system determines that her profitability is above average and she shows great potential for future returns. However, the system also shows that this customer has a high probability of leaving for a competitive service.

To discourage the customer from leaving, the decision engine now looks for the most appropriate offer to increase the probability of this customer's loyalty. The results are given to the call center representative, who can quickly act on the information and propose a win-win situation for the customer and the organization.

Web sites can benefit from real-time decisions, too. Take, for example, the process of assessing the risk of a potential applicant. Using a credit score provided by a bureau can become stale and not fully reflect the creditworthiness of a customer. By using real-time decision making, a Web site can augment the standard information about an individual's credit with payment history and other transactional information to calculate a real-time credit score that can potentially outperform those provided by the bureaus alone.

With in-house predictive models and a model-management process, you can make the most of your customer data by consistently using the most up-to-date predictive information. This best-practices approach leads to a competitive advantage for your organization.

In a retail e-commerce environment, customers often feel overwhelmed by the broad range of products and services that are available. Real-time decision making can recommend banner ads or other small advertisements for products or services to help focus the customer on the most relevant products. These choices are often determined through analyzing the past purchasing behaviors of your entire customer base or through making standard offers surfaced for all customers – in other words, messages are not tailored to a specific customer.

Real-time decision making can increase the precision of offers by looking at not only the products that an individual customer has recently purchased and other key customer information, but also by looking at products that the customer is currently exploring on the Web site or that the customer has placed in a shopping basket. Performing market basket analysis and other forms of predictive analytics in real time lets the retailer make more appropriate and relevant marketing decisions.

Integrating inbound and outbound marketing in real time

Outbound campaigns will continue to be a popular mechanism for communicating with customers. However, inbound marketing has been underused and presents a tremendous opportunity to increase profitability and enhance the customer experience. Moreover, coordinating inbound and outbound marketing in real time can provide a way for organizations to communicate with customers with a single, cohesive voice.

Let's take a look at a cellular phone user to illustrate the real-time coordination of inbound and outbound marketing. While using his phone one day, the phone user experiences three dropped calls in a row. He becomes extremely frustrated and calls the service provider to complain. The call-center representative who responds is alerted through real-time decision making that this customer has experienced difficulty. The call-center representative can pre-empt the discussion about the dropped calls by acknowledging the problem and making a special offer.

The real-time decision-making system is integrated with an e-mail marketing system and sends a coupon to the customer immediately. It then places the customer's name in a queue within a campaign management system to receive a courtesy mailing the following week.

The SAS® solution

SAS Real-Time Decision Manager automates the decision-making process to provide recommendations for customer-facing systems. The solution lets business users construct decision-making processes in an interactive, visual environment. These customized decision flows can operate on data from any source and apply advanced analytic techniques and business logic to determine decisions and recommendations.

SAS Real-Time Decision Manager integrates with many types of customer-facing operational systems, including call centers, Web sites and ATMs. When SAS Real-Time Decision Manager receives a decision request from an operational system, it processes a decision flow that can determine a customer's eligibility, score a customer's propensity to buy a certain item and calculate the customer's creditworthiness based on the latest transactional information. The result of the decision flow is a recommendation that is passed back to the operational system, where it is presented to the customer.

Recommendations might include:

- A simple product offer, such as, "Do you want batteries with that?"
- A simple yes/no decision, such as whether to authorize a transaction.
- A prioritized list of offers that a call-center representative can present, such as 10 percent off; buy one, get one free; or free shipping.
- Specific conditions that should be applied to an offer, including terms, transaction fees or annual percentage rates.

These processes can be repeated as many times as needed during a customer interaction. Plus, the solution ensures that the same criteria can be used for consistent communication and treatment of customers across channels, products and business units. All of this adds up to a dynamic, highly relevant and profitable relationship with customers.

BIO: Larry Mosiman is Product Marketing Manager for SAS Customer Intelligence.

Measuring your customer strategies

Top-line growth requires acute customer development, but few companies do this well

By Chris Rogers

The data is stunning and shocking. Executives say the cornerstone of their business strategies, top-line growth, requires selling more to existing customers and adding new ones. But a majority of companies are not doing a good enough job at customer development, according to a survey of C-level executives from large and midsize companies by BusinessWeek Research Services in partnership with SAS.

The underlying reason is poor execution of strategic customer-focused programs, according to the 317 CEOs, CFOs, CIOs, CMOs and COOs who took part in the survey. And, in order for C-level executives to drive top-line growth, it's clear they are going to need a more concrete understanding of what drives customer value.

The good news is that C-levels have already aligned their top-line revenue ambitions with their customer and product development strategies. By a wide margin, C-level executives say customer loyalty and product/service innovation are the two most important business initiatives that will play a role in the success of their strategic goals for the year ahead.

Even though companies have made customer development and product and service innovation top strategic priorities, companies are struggling with the very programs that are necessary to achieve these priorities. Barely half of executives surveyed believe they excel at customer loyalty programs. The C-levels' confidence in their ability to execute other fundamental programs to drive growth – like innovation, acquisition of new customers and up-selling – is equally low.

Not surprisingly, these companies also are grappling with data and measurement issues related to growth and customer development. C-level executives admit they have trouble understanding the true value of their customers. Less than half (41 percent) of C-level executives say their companies have a firm understanding of what drives customer, channel, product and service profitability, and even fewer believe their companies are effectively developing new products, services, markets and channels of distribution.

Performance management (PM) could well be the coalescing force to address these diverse, but related, issues. Performance management plays a key role in improving the top line by giving companies a greater understanding of their customers. PM helps not just with operational alignment; it also provides keen insight into customers, enabling organizations to make more fact-based decisions about customer acquisition, retention, profitability optimization and other revenue-enhancing programs.

Companies that identify themselves as excellent practitioners of PM are nearly twice as likely to use analytics to hone their customer relationship strategies, ensuring that strategy is driven by customer value rather than revenue. In a nutshell, companies that do PM well know how to get more from their customers. And, a better understanding of their customers doesn't just help increase the top line. These PM stalwarts are 50 percent more likely to be able to measure customer, product and channel profitability as well, which gives them a much better shot at growing their top- and bottom-line revenues simultaneously than other companies.

To increase sales to existing customers or to find new customers, companies need to develop an intimate, fact-based understanding of those customers. And this begins with better measurement.

Consultant Mark Graham Brown advocates a sophisticated measure of the relative attractiveness of each customer, based on factors like volume of business, name-brand recognition (does having this customer impress prospects?) and "pain-in-the-butt" quotient (how hard is it to work with the customer?).

“This measure is then combined with a loyalty metric to tell executives if they are building stronger relationships with the right customers,” Brown says. This helps companies develop products and services as their targeted customers change.

Momentum Textiles, based in Irvine, California, calls the metric of a customer’s relative attractiveness the “Matrimonial Index,” which helps prevent the company from wasting valuable resources trying to “marry” an ugly customer.

Tom Davenport, a Professor of Management and IT at Babson College and co-author of the book [Competing on Analytics](#), adds that many companies need to expand their views of innovation to capture new customers. Metrics should not stop at product development; they also should embrace innovations in service and processes. Most innovation metrics focus solely on research and development, including patent submissions and revenue growth from new products. However, R&D metrics can be deceptive because, for example, patents do not always lead to innovation.

Figuring out metrics for less tangible areas, such as service, can be tricky. But this is crucial if service represents a key competitive advantage. “You also need to have a culture of innovation and accept failure,” Davenport says. “A lot of companies aren’t comfortable with that.”

** Article based on the results of a BusinessWeek Research Services study.*

Bio: Chris Rogers is the Research Director of BusinessWeek Research Services and is responsible for all primary research activities related to the BusinessWeek franchise. Rogers has spearheaded several research initiatives, including C-level tracking studies that cover technology trends and the BusinessWeek Market Advisory Board, an online research panel of senior business executives.

Buxton sets its sights on SAS®

Buxton chooses SAS® Enterprise Miner™ for powerful analytics

NRF 97th Annual Convention and EXPO, NEW YORK (Jan. 14, 2008) – Buxton soon will help its customers like The Container Store and California Pizza Kitchen make new store site and customer marketing decisions rapidly and efficiently because of SAS. The Fort Worth-based customer analytics company chose SAS, the leader in business intelligence, to enhance its existing analytical capabilities.

“It takes a small army to analyze customer data,” said Charles Wetzel, COO of Buxton. “Buxton works in the retail, health and public sectors, and we use hundreds of tools to analyze our customers’ data. We knew that we needed to augment our tools with the functionality that SAS is known for. We use ‘best-of-class’ tools at Buxton, and we consider SAS to be the best in its class.”

Already a user of Base SAS, Buxton most recently licensed SAS Enterprise Miner.

SAS Enterprise Miner comprises a broad set of tools that allows users to take raw data and convert it into accurate, business-driven data mining models. It provides a stable collaborative environment for statistical modelers, business managers and a company’s IT department to work together more efficiently.

“SAS will allow Buxton to work with larger customers,” said Wetzel. “We expect to see a 10 to 15 percent savings in the time it takes us to create models for our customers because of SAS. SAS’ ability to handle the data contained in millions of customer transactions in a matter of seconds was exactly what we were looking for.” Wetzel said the SAS software implementation will be completed in early 2008.

In addition to Buxton, SAS retail customers include AutoZone, Bakers Footwear, Brooks Brothers, Burger King, Carrefour, Casino, Casual Male, The Children’s Place, Eddie Bauer, Hallmark, Hudson’s Bay Company, JCPenney, Kohl’s, Luxottica Retail, Mark’s Work Wearhouse, Macy’s, Marks & Spencer, Newport News, Northern Tool & Equipment, Office Depot, Sainsbury’s, ShopKo, Sport Chalet, Staples, Tesco, Tween Brands, Williams-Sonoma and 1-800-FLOWERS.COM.

ABOUT BUXTON

Since 1994, [Buxton](#) has been the industry leader in customer analytics for the retail industry. Its focus now includes healthcare organizations, consumer packaged goods manufacturers and city governments. Buxton draws from its individual- and household-level data to determine lifestyles and buying habits to clearly identify an organization’s best customers and find more like them anywhere in the U.S. Among its 1,700 clients are retailers FedExKinko’s, Casual Male, California Pizza Kitchen, The Container Store, and New Balance Shoes; consumer packaged goods clients H.E.B., Pepperidge Farm, and Proctor & Gamble; healthcare clients Quest Diagnostics, CareNow, and Concentra; and communities McKinney, Texas; Gary, Ind.; Midtown Alliance Atlanta, Ga.; and the City of Moulton, Ala. Buxton’s founder Tom Buxton was named the Ernst & Young Entrepreneur of The Year® 2007 in Business Services for the Southwest Area. In 2006, Retail Traffic recognized Buxton as one of three figures “influencing the future of retail real estate.” Buxton was also selected as one of the Most Innovative Companies in the 2006 American Business Awards and was named #2 in Fast Company Magazine’s 2005 Fast 50 list of top innovators and technology pioneers.

Events

TDWI World Conference 2008

<http://www.sas.com/events/ustradeshows/addinfo.html#tdwi-winter08>

Feb. 19 – 20, Las Vegas

GARP 2008

<http://www.sas.com/events/ustradeshows/addinfo.html#garp08>

Feb. 26 – 27, New York

SAS® Global Forum 2008

<http://support.sas.com/events/sasglobalforum/2008/index.html>

March 16 – 19, San Antonio

Webcasts

Innovating the Customer Experience: New Rules for a New Consumer

<http://www.sas.com/events/cm/141090/index.html>

On-Demand Webcast

21st-Century Retail Merchandising and Customer Management

<http://www.sas.com/events/cm/149209/index.html>

On-Demand Webcast

Supercharging Your Business Intelligence with Text Analytics

<http://www.sas.com/events/cm/149049/index.html>

On-Demand Webcast

Multimedia

Launch the SAS BI Interactive Tour

http://www.sas.com/technologies/bi/tour/itour_flash.html

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