

From the Front Lines of Analytical Competition

How are enterprises using business, or predictive, analytics to differentiate themselves today, and what does the future hold? In this interview, writer Tom Farre presents the views of two executives deeply engaged in these issues. Jeanne G. Harris, executive research fellow and director of research, Accenture Institute for High Performance Business, and co-author with Thomas H. Davenport of Competing on Analytics: The New Science of Winning, has been researching analytics in the enterprise for years. Kathy Lange, senior director of analytical consulting at SAS, works with companies striving for an analytical edge every day.

What surprised you in your research about analytical competitors?

Harris: One surprise was that there were clear differences between companies that use analytics very effectively and those that compete on analytics. Many companies get value from BI and analytics, but not every company sees analytics as a key competitive differentiator, as its distinctive capability. Executives at companies that are very good at analytics might say their distinctive capability is being customer centric or efficient at supply-chain operations.

Another surprise was that we expected to find very few companies where analytics was their distinctive capability. Yet we found at least one or more analytical competitors in almost every industry we stud-



ied. What's more, we found many executives who said, "We don't compete on analytics today, but we aspire to do so." As we studied these companies in depth, the far-reaching potential of using analytics as a differentiator became clear. CEMEX, the cement distributor, is a great example: They might not use the word "analytics" to describe themselves, but if you examine how they go to market and differentiate themselves, analytics is very strategic to what they do.

Can you give an example of an industry using analytics creatively?

Lange: We're working with some forward-thinking retailers who are doing an interesting kind of forecasting to discover what size clothes they should send to each store. Store clustering helps them understand which stores in their network look the same and which are different in terms of the sizes customers buy. They're trying to maximize their revenue by optimizing everyday prices, markdown prices and clearance prices. They're also studying the best ways to pack clothes shipments to the stores—whether to leave them in the original packs, or break open packs and switch the sizes. There's a cost to handle the goods, but if they don't get the right mix in the stores, that incurs costs as well.



What challenges do companies face in developing analytic expertise?

Lange: It can be challenging to build

an analytical capability when you're starting from scratch. There's a shortage of analytic talent in the marketplace today, and you need to develop the job descriptions and a hiring/training/mentoring program. And if you only have one expert in your group, it can be difficult to devise best practices.

We assist companies in developing their analytical competency centers, or we can outsource the talent to them. We also help them think about their business processes in analytical terms. How can they link their key performance metrics to something that they can compete on analytically? What are their business pains? Do they have the right data? What's the roadmap? We help them understand the importance of getting analytics as close to the operational systems and decision makers as possible. Creating an understanding between the business and IT managers about these requirements helps to align business and IT for success.

Harris: Sometimes there's a "language gap" that can inhibit a company from competing on analytics—business executives talk about improving decision making, getting better insights through analysis, while IT people talk about things like OLAP and ETL. Recently an executive at an insurance company told me about trying off-sites and

workshops to educate the business managers on BI's potential, but it didn't do much good. The light went off when they did role-playing, with business executives playing the part of customers and asking questions. They realized that the most important questions to the customers were ones their IT systems were least equipped to answer. That helped reframe the issue in a different light. Analytics is about asking the really strategic questions and learning how to answer them.

How do you see analytical software and services evolving?

Lange: We're seeing the need to solve bigger, more complex problems, analyzing not just structured and numerical data, but also text, voice and video. We're also seeing many new consumers for analytics beyond the statisticians, including businesspeople who have the domain knowledge, not analytical skills. From a software perspective, we continue to improve our algorithms and modeling methods, so the engines that solve the problems are more effective and can take advantage of the latest computing advances, such as multicore processors and grid computing. We're also providing more visual interfaces to make analytics easier to use and the results more intuitive.

Our partnership with Teradata should accelerate data integration

and querying by leveraging Teradata's parallel database. We're working closely with customers to get analytics more integrated into specific business processes and closer to the decision makers, and presenting the results however they prefer—through Microsoft Office, for example.

From a services perspective, more customers are looking for different analytic options. Besides providing software and support, we can deliver an on-demand environment where we host the applications and offer ongoing expertise; or using our talent and expertise, we can provide the answers to their analytical questions. And we can assist them in developing their own analytical competencies and in improving their business processes.

What does the future hold for analytical competition?

Harris: It's clear that there are more companies working hard to become analytical competitors. If you are not, you're soon going to be facing a company in your industry who is. Those companies will be better able to ask the right questions, get the right answers, and execute on them—and that will give them a distinct competitive edge. So whether you compete on analytics or use it to improve your business processes, you're likely headed for a more analytical future. ▶