

BUSINESS INTELLIGENCE

Extracting Knowledge From Data

Vertical BI Tools
Put the Right Information
into the Right Hands
to Boost ROI Right Away

In the good old days of Corporate America, if workers hung around the water cooler long enough, they would pick up a good deal of business knowledge from more seasoned colleagues. A faltering economy and deep budget cuts, however, have made short work of more experienced employees and effectively stemmed the natural flow of need-to-know information.

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Here's a clue: Knowledge is power. While executives moan and groan about eking more out of flagging resources, managers just may be sitting on a virtual goldmine of untapped business intelligence (BI). If the right information can get to the right employees in the right form, it will empower them to make smarter decisions, move faster on competitive information, meet higher performance standards and competently support a common set of business objectives.

By now, BI is de rigueur in any company serious about getting a handle on valuable data. Although investments in business intelligence technology are still on the rise in most verticals—save the more mature financial services market—the focus of BI initiatives has moved away from simply housing and accessing data to divining wisdom and transferring knowledge. And it must be accomplished in a way the user can understand and use, while presenting that sometimes elusive single version of the truth.

The best way to provide easy-to-use and useful insights to decision-makers in an organization is to use BI products shaped to fit the particular needs of various vertical markets, and vendors are complying. Siebel Systems

Inc. Group Vice President Larry Barbeta, for instance, notes that his company has customized applications for 21 different industries. It's part of an overall trend to develop "deeper and more industry-specific solutions," he says, which ultimately will help companies better manage their business processes and boost performance. "The way you sell financial services is different from pharmaceuticals, which is different from telecom," he says.

SAP AG, for example, is betting a lot of its business on the power of verticalization. The company is stressing its strengths in 23 various vertical segments. In fact, SAP refers to itself as a software company that also is a banking company, a chemical company, an aerospace/defense company, a health-care company and a retail company.

Tailor-Made BI

Verticals not only have their own set of needs, they are at different levels of BI maturity, with financial services practically leading the pack when it comes to implementing business intelligence. Business process management (BPM) has become a primary concern for many enterprises, leading senior management of those companies to seek approaches that are more

tailor-made for their industry.

Because these industry-specific approaches address the challenges and needs of a vertical market head on, companies usually can implement them more quickly than more general



"We're seeing paybacks in two to three months"

Sanjay Poonen, senior vice president of worldwide marketing, Informatica Corp.

attempts, thereby reducing many of the implementation woes and achieving ROI that much quicker. "We're seeing paybacks in two to three months," says Informatica Corp. senior vice president of worldwide marketing Sanjay Poonen. Informatica provides data integration and BI software.

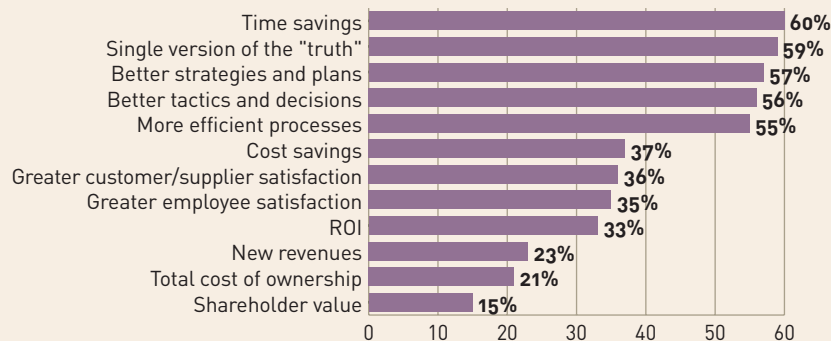
Tailor-made BI applications also can ease the acceptance of new tools among employees, a major obstacle to many implementations, according to Brian Smetana, senior data warehouse analyst at hardware manufacturer and distributor Ace Hardware Corp. And they can ease BPM challenges.

The process changes that lessen resistance have other benefits as well. "Just improving processes saves money," adds Gerald Cohen, president and CEO of enterprise BI company Information Builders Inc.

Even though the investment may be smaller and the return quicker, industry-specific BI tools do not sacrifice reach and breadth. They still are

BI's Value is in the Eye of the Beholder

Users deploy business intelligence systems for a wide range of reasons, but—perhaps surprisingly—cost savings and new revenues are not among the top.



Source: An April 2003 survey of 686 BI managers by The Data Warehousing Institute

designed to fit the information needs of a variety of users, from analysts to customer service reps.

The Reliability Factor

It has never been more important for rank-and-file decision-makers to work from the same set of accurate, reliable and consistent data. With retribution

slice and dice intelligence but does little to maintain the integrity of the core data. This ultimately spawns more versions of the truth than did the lying alter ego of Jon Lovitz on "Saturday Night Live." At the very least, it is confusing. "The vice president of marketing sees a disturbing number and calls up a colleague to

sands and thousands of rows of data. They were used to running reports and getting large volumes of data," Ace's Smetana says. But by moving to exception-based reporting, the company has reduced the data dump and lifted the quality quotient.

Making Smarter Decisions

Few executives can afford to use ever-dwindling numbers of employees to sort through meaningless data. And they never will be able to do more with less if the right information and best practices are not passed down to frontline employees. For every minute a company puts off empowering employees with accurate, actionable data, countless costs are racked up in terms of human resources, competitive edge and time.

"To survive, companies have to become much more agile," says James Taylor, director of marketing in the analytic tools group at Fair, Isaac Corp., an analytics provider that specializes



"You really have to send out the right snippets of information rather than deep analysis to the guys in white coats."

Guy Creese, research director, The Aberdeen Group

from the U.S. government under the Sarbanes-Oxley Act looming, corporate data must be pristine, not distorted by everyone who touches it.

"A single version of the truth is critical here," Ace's Smetana says. Otherwise "you have different sets of data that don't add up. And sales numbers should always add up, especially today with the SEC getting involved."

At the same time companies are trying to attain version control, they must put key data into the hands of a growing number of people—intelligence is no longer the domain of what Guy Creese, research director at market research firm Aberdeen Group, calls "white coat" business analysts. Instead, the data must talk to users in their own language.

This need has caused a fundamental shift in the way companies view business intelligence. "Multiple constituencies need to look at the data," Creese says. "You really have to send out the right snippets of information rather than deep analysis to the guys in white coats."

The trusty spreadsheet—still the favorite mode of reporting in many corporations—allows employees to

see why profits are down," Creese says. "That person spends half a day trying to figure out what the heck he's looking at."

Time's a-Wastin'

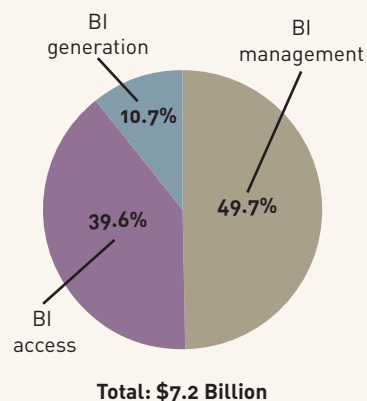
At the very worst, if decision-makers are not on the same page, precious resources are needlessly squandered. It is not uncommon for workers armed with different versions of the truth to waste time at meetings debating who has tapped accurate data rather than solving problems, asserts Karen Williams, director of product marketing at BI provider Cognos Inc. The focus becomes the data source rather than applying valuable knowledge.

At Ace Hardware, the company's antiquated spreadsheet-based reporting tools were generating more information than decision-makers could sort through in a reasonable period of time. The company turned to BI technology from business intelligence provider MicroStrategy Inc. to empower a wide range of employees, from field sales reps and internal business analysts to retailers.

"With the old tools, users had to join tables and that could yield thou-

Slicing and Dicing the Ways People Slice and Dice

Worldwide business intelligence tools revenue share by segment, 2002



Source: International Data Corp.

in credit scoring and modeling for the financial services industry. It becomes more about "how fast can I change information into knowledge."

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Where's the Payback?

Although verticalization is effective at helping companies make business intelligence (BI) work, at the end of the day, it is only one factor in a return on investment (ROI) calculation. BI investments generally pay for themselves much more quickly than other technology implementations. Market research firm International Data Corp. (IDC) says nearly half the companies that buy into BI see payback within a year.

Often, though, the ROI on BI doesn't take even that long, says Sanjay Poonen, Informatica Corp. senior vice president of worldwide marketing. "The payback is often between two and three months." That's practically a head-spinning pace in the world of technology, where ROI can be a long time coming, if it comes at all.

Impressive Results

Business intelligence offers the enterprise the opportunity to achieve ROI by improving performance, streamlining and improving business processes, and providing the right information to outpace competitors, according to Gerald Cohen, president and CEO at Information Builders Inc.

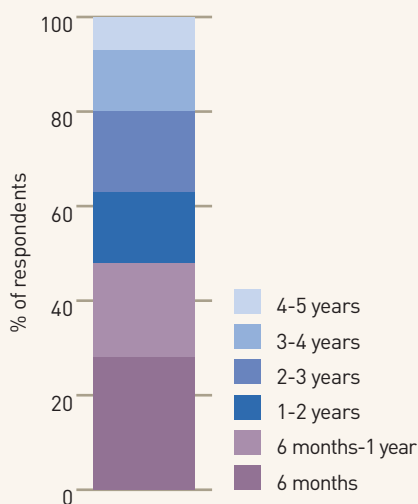
To date, some of the results have been impressive. A study by analyst firm Giga Information Group found that actual or expected returns ranged from a 72-percent increase to more than tripling.

One of the companies surveyed, Nielsen Media Research, has turned a monthly process for analyzing and acting on data to a weekly process, giving the company a competitive edge, reducing storage costs by one-third, and gaining the ability to add new users

and products for 40 to 50 percent of what it previously cost. "We are able to deliver one data warehouse for all our applications, at one-third the storage of conventional technologies, while seeing performance gains as advertised with IQ Multiplex," Nielsen Media Research CIO Kim Ross says.

Is it Soup Yet?

A popular complaint about BI programs is that they take too long to show results. But the IDC study found that almost half of the companies experienced payback within one year.



Source: An International Data Corp. summer 2002 survey of 43 companies that successfully implemented business intelligence analytics.

Restaurant chain Noodles & Co. turned to Cognos Inc. to "put in place a system for corporate performance management to take a look at the metrics of our business," company co-CEO Ken Keymer says. The company is finding the ability to gauge things such as store-level profit, ROI, sales and

even the success of menu items invaluable. The implementation, which began in July 2003 with Phase 1 wrapping up in October, will deliver ROI "almost immediately," he notes.

BI ROI Rules of Thumb

Indeed, there are a few rules of thumb that businesses can follow to ensure that they get the greatest ROI in the shortest period of time:

Use a BI tool tailored to your vertical. Verticalized approaches eliminate many of the challenges and costs of implementation. These products offer guided analytics that take users through the most likely scenarios facing a particular business.

Bring BI into the mainstream to empower employees. That's where the value curve goes up.

Build on a strong data infrastructure. An underlying structure must be in place for dealing with a company's data. The relative worth of BI is negated by "bad" or unreachable data.

Choose a product that can read multiple data sources. Most companies have a multitude of data sources. To be effective, BI tools should be able to read them all. "You need a robust integrated platform that can get to all data sources," Informatica's Poonen says. "You want one view of the truth."

Make sure a tool is easy to use. BI tools once were so difficult to use that only trained business analysts could use them. Today's tools offer more complex analytics, but often are more intuitive and visual (consider the dashboards available for most products) to accommodate a broad range of users.

Although most businesses are focusing on ROI, others are looking at ways to make money with their business intelligence applications, according to Information Builders' Cohen. Credit-card companies, for example, provide prevalent data on cardholders to merchant companies. Not only do they achieve ROI, but they use BI to open new revenue streams. ●

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But Bob Lokken, CEO of analytics provider ProClarity Corp., says that companies “have done very little to put the right technology into the hands of decision-makers.”

The newest crop of BI and analytical tools are helping executives rectify that oversight and realize even greater benefits. “There is a lot at stake for organizations as they track, understand and manage their enterprise performance. My hope is that they use business intelligence as an informative ally,” says Dave Kellogg, senior group vice president of worldwide marketing at Business Objects SA. “The knowledge gained can help organizations learn valuable insights about their own operations, partners, customers and more.”

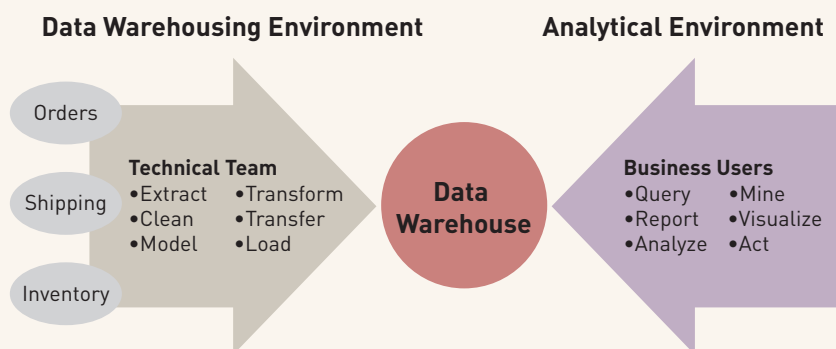
Ace never forces retailers to adhere to its suggested prices, for instance, but it tries to use data to show them a potentially greater yield. “We take a store’s data, showing the price they charged for an item, then compare it to the suggested price” and multiply the variance by units sold, Smetana explains. “Say 3,000 SKUs are priced below the suggested price—that may translate into \$40,000 plus in lost profits for that store.”

Happy, Loyal Workers

Increased profits, however, will not on their own boost employee morale. For beleaguered workers, the demands by management of more for less go down much easier if they feel empowered. “People want to feel as though they

The Tools Needed for Strong BI Results

At its most basic, a business intelligence environment needs a data repository and analysis function.



Source: The Data Warehousing Institute

Wrapping business rules around BI automates the decision-making process, making it easier for users to quickly determine the right path to take, Fair, Isaac’s Taylor says. “Everyone works toward the same goals,” Cognos’ Williams adds.

For Ace Hardware, pushing quality data down to the frontlines lends more clout to corporate recommendations. “We’re able to put a lot of facts behind our findings,” Smetana says.

have control,” Cognos’ Williams says. “It gives them a feeling of competence and a feeling of contribution. If they have the right information, they know they can make the right decisions.”

But in the fast-paced, competitive world, a one-size-fits-all report no longer cuts it since, as Williams notes, “there’s a broad range of operational things that companies have to focus on.” Instead, BI and analytic tools are becoming better equipped to offer

BI Resources

AMR Research Inc.

<http://www.amrresearch.com>

Business Objects SA

<http://www.businessobjects.com>

Cognos Inc.

<http://www.cognos.com>

Informatica Corp.

<http://www.informatica.com>

Information Builders

<http://www.informationbuilders.com>

SAP AG

<http://www.sap.com>

“every type of report for every type of user,” he says, from the business analyst who needs to delve deep and manipulate data to what Cognos calls the “consumer,” a decision-maker who can make do with static reports.

If implemented properly, a reliable decision network likely will drive employee performance to the next level. And as an added bonus, executives just might be able to create those warm and fuzzy feelings among employees that inspire loyalty—another commodity currently in short supply in a nasty economy.

BI can deliver a host of benefits to companies. With empowered employees and business intelligence offerings tailored to particular verticals, the enterprise will be armed with the right tools to make smarter decisions, open up new revenue streams and outpace competitors. ●

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