Business Intelligence:

How better analytics can lead your business to higher profits.

BAASS
Business Solutions Inc.

Introduction

The economic downturn forced business leaders to rethink strategic plans. To remain competitive, businesses must react faster to changing profitability and customer trends. To do that, you need the ability to access and analyze critical data about your business quickly.

You need up-to-the-minute information about your income, costs, and customers in order to make the best possible decisions. In many businesses, collecting and analyzing this information is challenging because different departments store the data in non-integrated systems and provide varying levels of reporting. In order to get the information you need, you must rely on the IT department to sort out the data you need, or ask individual employees in each business unit to create reports. If IT is busy or employees are unavailable, you don't receive the reports.

A Business Intelligence (BI) strategy provides managers and executives with meaningful insight that is always available, real-time and easy to interpret. BI plugs into data streams in every part of your business, so you can have unfettered access to organization-wide information – without waiting for departmental reporting.

In this paper, we will illustrate the benefits of BI, the types of data that can help you manage your business more effectively, and the potential costs of not having a reliable system for obtaining business intelligence.

Intelligent businesses choose cold, hard facts over gut instincts

A recent Gartner survey of 1,500 CIOs identified business intelligence as the top spending priority, even with tight technology budgets and a troubled economy.[1] But what exactly is BI? BI can be defined as business information and business analyses within the context of key business processes that lead to decisions and actions that result in improved business performance.

According to a recent survey by Accenture, executives make about 60% of their decisions based on data and the other 40% based on gut-level intuition.[2] While you certainly want savvy, experienced professionals on your management team, most would agree that it is preferable to provide them with relevant, accessible data about the business to aid their decision-making. That's why nearly three-quarters of the executives surveyed were working to increase their company's use of business analytics.[3]

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[1] Rachel King, "Business Intelligence Software's Time Is Now," *Business Week*, March 2, 2009.
[2] Accenture press release, "Most U.S. Companies Say Business Analytics Still Future Goal, Not Present Reality," December 11, 2008.
[3] Ibid.

Business Intelligence improves productivity and streamlines operations

When you automate the availability of critical performance data, you will streamline the workflows in your organization and improve productivity across the company. Oliva Cigar, a family owned business with roots dating back to the late 1800's, implemented their BI strategy to provide them with accurate and timely information. They now use BI to:

- Forecast sales and production
- Track and evaluate sales performance by sales reps and territories
- Monitor customer loyalty
- Analyze profit margins by product lines
- Monitor customer buying trends

"We obtain information from our accounting and customer relationship management (CRM) applications and analyze customer preference trends. This information is passed along to our sales reps and retail stores that carry our product. This helps us increase sales and strengthen customer loyalty," added Jeannie Oliva, VP of Operations.

An investment in BI creates an asset that will be used to generate incremental after-tax cash flow. Without BI, reporting is usually a tedious and time consuming process at most companies. It takes time to access relevant data and the data is not always up-to-date.

With BI, you don't have to rely on your IT department or business unit managers to prepare reports. Information is always available in an easy-to-understand format. If you choose a Web-enabled system, you can access your key performance indicators from any computer when you are at home or traveling. User-level security features restrict who has access to the data, so you can safely share business intelligence with managers and key personnel across the organization.

Once you have a BI system, you will gain tremendous insight into what's happening in your business. BI will deliver business value by:

- Improving management processes (such as planning, controlling, measuring, and monitoring) so that management can increase revenues, reduce costs, or both.
- Improving operational processes (such as fraud detection, sales campaign execution, customer order processing, purchasing, and/or accounts payable processing) so that the business can increase revenues, reduce costs, or both.

Business Intelligence delivers the right information to the right people

BI provides the right people with access to the right information, presented in the easiest-to-understand way, exactly when they need it. BI tools enable non-technical users (from executives down to operational managers) to create the charts, graphs, and reports they need in order to conduct analysis.

The main advantage of business intelligence over standard reporting is that BI creates meaningful, actionable information. It mines data and presents information in ways that allow you to measure the health of your business, at a glance. BI tools can proactively monitor business conditions and alert you to changes or activities. It's also easy to create accurate forecasts and budgets.

			Total Sales Amount		
			Top 15 Products and Resellers by Sales Last Year		
	Road-350-W Yellow, 48	Road-250 Black, 44	Road-350-W Yellow, 40	Mountain-200 Black, 38	Mountain-200 Silver, 42
Field Trip Store				$6,884.97 1%	$33,135.26 4%
Brakes and Gears				$22,031.90 3%	$27,033.45 3%
Top Sports Supply				$24,785.89 3%	$11,135.95 1%
Registered Cycle Store				$27,448.08 3%	$6,959.97 1%
Eastside Department Store	$34,245.18 4%	$10,262.07 1%	$15,738.24 2%		
Westside Plaza					
Outdoor Equipment Store	$23,204.23 3%	$11,728.08 1%	$14,288.32 2%		
Totes & Baskets Company	$12,247.13 1%	$10,262.07 1%	$6,123.56 1%		
Excellent Riding Supplies	$7,144.16 1%	$13,194.09 2%	$6,123.56 1%		
Corner Bicycle Supply	$7,144.16 1%	$5,864.04 1%	$9,185.35 1%		
First Bike Store	$9,185.35 1%	$13,194.09 2%	$12,247.13 1%		
Metropolitan Equipment	$13,267.72 2%	$7,330.05 1%	$15,308.91 2%		
Sheet Metal Manufacturing	$6,123.56 1%	$7,330.05 1%	$8,164.75 1%		
Fitness Toy Store	$13,267.72 2%	$5,864.04 1%	$6,123.56 1%		
Thorough Parts and Repair Services	$15,308.91 2%	$23,456.16 3%	$10,205.94 1%		
Grand Total	$141,138.11 17%	$108,484.74 13%	$103,509.32 13%	$81,150.85 10%	$78,264.63 10%

Figure 1: This view highlights exceptions based on pre-defined threadsholds. Sales above $20K are displayed in green and sales below the $20K threshold are shown in red.

A BI system is designed to capture the most important metrics in your business, called Key Performance Indicators (KPIs) and help you monitor them closely to improve profitability and efficiency.

Here are some of the commonly used KPIs for midsized businesses:

Financial
- Cost of Goods Sold
- EBIT
- Current ratio
- Quick ratio
- Debt-to-equity ratio
- Debt ratio
- Gross profit margin
- Customer Attrition

Supply Chain
- Number of weeks supply
- Shrinkage rates
- Average order lead time
- Turnover
- Order to Cash time

Sales & Marketing
- Lead conversion rates
- Return on sales
- Time to close
- Win rates
- Average deal size
- Customer service satisfaction levels
- Customer / Product Profitability

Human Resources
- Employee churn
- Cost per hire
- Time to hire
- Average training costs per employee

BI can gather graphical representations (such as gauges or pie charts) of all of your critical KPIs onto one screen, called a dashboard. You can instantly access and review these metrics across daily, weekly, monthly, year-to-date, and year-over-year timeframes. If you need more detail, you can obtain a deeper degree of data easily and quickly with just a few clicks of your mouse.

% Sales Growth KPI – Visual Status and Trend			
Item Subject: Business			
	October	November	December
ACCOUNTING/ECONOMICS	4.9%	-25.6%	-21.5%
BUSINESS PROFILES	27.5%	-2.9%	-10.8%
BUSINESS REF	2.0%	-13.6%	-38.1%
CAREERS/RESUMES	1.8%	-22.3%	-35.7%
ENTREPRENEURSHIP	-9.6%	-23.2%	-21.7%
INVESTING	-18.2%	-13.7%	-37.0%
MANAGEMENT	14.0%	-12.9%	-32.0%
MKT/ADVERTISING	-4.3%	0.5%	-31.8%
PERSONAL FINANCE	5.9%	-19.8%	-41.0%
REAL ESTATE	20.6%	4.1%	-35.7%
SALES	-4.7%	-2.1%	-38.9%
ZZZFOREIGN TRADE	8.2%	48.9%	-1.8%

Figure 2: KPI gauges allow you to see status, trends, and current values in one place.

Business Intelligence leverages your existing business management applications

A well-planned BI system allows your company to enjoy greater value from existing business management software, such as:

- Enterprise Resource Planning (ERP) or Accounting software
- CRM or Sales Force Automation
- Payroll
- Human Resources Management System (HRMS)
- Point of Sale (POS)

When your BI solution integrates with other critical applications, you ensure that valuable information about your financial operations, sales and marketing efforts, and your customer base will be available for detailed analysis and proactive planning. With every additional stream of data incorporated, your reporting will become more comprehensive and intelligent, leading to better business practices that outpace competitors.

Integrating your BI solution with applications like customer relationship management (CRM) will enable you to have critical information at your fingertips for your customer service representatives or sales force. With this integration, you gain the ability to see the customer ranking, purchase history, sales history, and other important information while you are on a call. The information is refreshed constantly, so that you are viewing the latest information without having to generate reports daily.
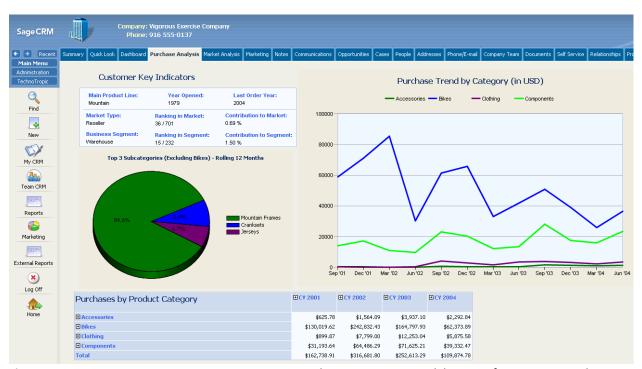

Figure 3: By integrating BI into your CRM system you can have access to very elaborate information on each customer right before you need to interact with him or her.

Business Intelligence positively impacts the bottom line

To increase profitability, you need to control expenses while maximizing income. Business intelligence can help you review the real-time financial metrics that keep your business humming. Because BI is good at rolling up large amounts of data into meaningful graphs, charts, and reports, you can get a bird's eye view of your entire operation. You can:

- Monitor P&L and Balance Sheets.

- Keep a watchful eye on labor costs.

- Watch cash flow and better plan capital expenditures.

- Project income and expenses.

- Analyze payables and receivables.

- Compare budget to actuals.

By revealing patterns in expenses, BI can save your company serious money in this tough economy. For example, properly scheduling employees enables your company to provide outstanding service during busy times, but avoid overstaffing when business is slower. This can make a tremendous difference in profitability, as Brinker International has discovered. Brinker, which operates hundreds of restaurants, has been using BI to calculate sales by shift and by restaurant. They use the information to help their restaurant managers define optimal labor costs and adjust employee schedules to meet the demand, on a day-by-day basis.[4]

Business Intelligence identifies ways to improve sales and marketing

You can use BI very effectively to monitor and improve your sales and marketing efforts. By combining data from your warehouse management / inventory control, point of sale (POS), and sales automation or customer relationship management (CRM) systems, you'll get a fuller picture of what marketing efforts are bringing in customers – and what campaigns are not a good use of future funds. More than that, you can see how sales change with fluctuating economic conditions or current events.

Adventure Works Cycles

	Europe			North America			Pacific		
Sales Reason	**Internet Orders**	**Internet Sales Amount**	**Internet Total Product Cost**	**Internet Orders**	**Internet Sales Amount**	**Internet Total Product Cost**	**Internet Orders**	**Internet Sales Amount**	**Internet Total Product Cost**
Manufacturer	27	$58,802	$36,434	57	$132,384	$82,290	49	$115,205	$71,553
On Promotion	435	$712,559	$417,478	598	$944,125	$554,505	413	$675,807	$407,047
Other	60	$36,240	$21,966	67	$39,071	$23,925	56	$32,749	$19,978
Price	1321	$2,066,776	$1,217,830	1571	$2,514,881	$1,466,522	857	$1,381,476	$829,466
Review	69	$121,189	$75,386	89	$137,254	$84,768	75	$123,887	$75,776

Figure 4: Analyze the different reasons why customers buy from you and the effectiveness of promotions.

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[4] King, *Business Week*

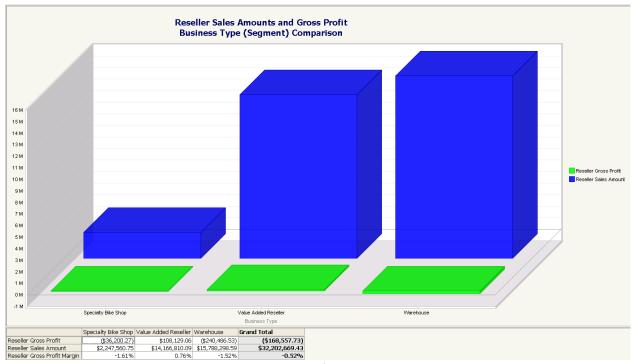Reseller Sales Amounts and Gross Profit
Business Type (Segment) Comparison

	Specialty Bike Shop	Value Added Reseller	Warehouse	Grand Total
Reseller Gross Profit	($36,200.27)	$108,129.06	($240,486.53)	($168,557.73)
Reseller Sales Amount	$2,247,560.75	$14,166,810.09	$15,788,298.59	$32,202,669.43
Reseller Gross Profit Margin	-1.61%	0.76%	-1.52%	-0.52%

Figure 5: Quickly see which customer segment is more profitable.

Use BI to instantly discover answers to these questions:

- What types of customers are the most profitable over time?
- Does your company make more money selling a few high dollar items or many inexpensive items?
- What is your most popular product (or service) in the Midwest versus the Southeast?
- How successful are upsell or cross-sell efforts that are conducted at the point of sale?
- How well are discounts or other promotions working?
- Does your loyalty program bring in repeat customers?
- When you increase online or print advertising, do you enjoy increased sales? Increased profitability?
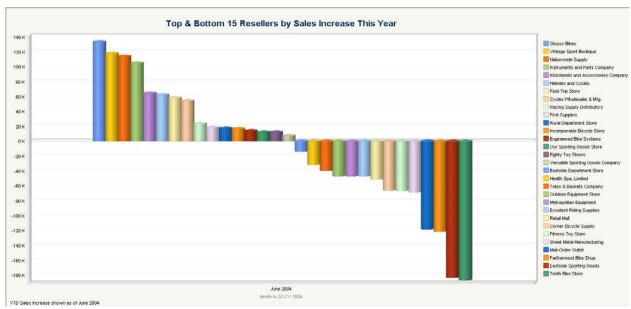- What are my top customers by sales increase this year? And my bottom ones?

Figure 6: Which customers are growing the most or declining the most in sales?

You may already have the ability to track some of this information – especially if you have a Customer Relationship Management (CRM) system. But BI gives you the ability to view and analyze this data in context with other impacts to profitability, such as labor costs, expense projections, or future reservations.

What is the cost of not using BI?

Waiting to implement a BI system may seem like a no cost wait-and-see approach. But the truth is that doing nothing has profitability consequences when it comes to business intelligence. Here are a few examples of the potential opportunity costs of doing nothing:

With BI, you could have determined that your most popular products had changed dramatically during this most recent economic downturn. Your company spent $100,000 advertising higher end items in west coast magazines and newspapers, where unemployment was highest, but sales had been strong prior to the recession. This effort generated $250,000 in sales. But $100,000 of advertising for lower priced items in the Midwest would have generated $500,000 in sales. **Opportunity cost: $250,000**

Your sales executive spent six weeks closing a $50,000 deal with a new customer rather than spending two weeks closing a similar opportunity with an existing customer. **Opportunity cost: $100,000**

If your customer service representatives answer incoming calls with less than one minute of wait time, you receive a sale 75% of the time. If potential customers wait more than three minutes, the close rate drops to 25%. If 200 calls come in per week and the average

revenue per sale is $100, every week with slower customer service books $5,000 instead of $15,000 at peak service. **Opportunity cost: $10,000 per week**

In a tight economy, it is understandable that many companies are tempted to hold off on investment in critical technology. But it is a mistake to postpone getting started with BI. Midsized businesses are embracing analytics at a quickening pace and your company can quickly fall behind competitors if you don't have accurate, timely information to drive your business forward. Much of the insight you gain through BI is exactly what will help you adjust to changing economic conditions.

Learn how BI could benefit your company

We hope this guide has provided you with a glimpse of what is possible with BI. The sky is the limit when it comes to how you can utilize your company's data with BI. But you do need an experienced partner to help you plan how you will use business intelligence and where your new BI system will gather its data. Proper analysis of your strategic objectives and your specific operations will ensure a hassle-free, productive experience with BI.

BAASS Business Solutions has extensive experience with helping our customers transform their companies into intelligent businesses. **Call us today to discuss what Business Intelligence can do for your business.** We'll explain more about what BI can do for you and answer your company-specific questions.

BAASS Business Solutions

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