The Case for Business Analytics in Midsize Firms

Affordable solutions and easy implementation put the transformational power of business analytics within reach of almost any organization

Featuring John Lucas, Former Director of Operations, Cincinnati Zoo
INTRODUCTION:
The “New Business Normal”

Today’s business environment is more volatile, less certain and more complex than at any time in recent memory.

Against that backdrop, businesses of all types and sizes are tasked with finding ways to deliver better business outcomes, increase revenue, lower costs, and reduce risk. While those objectives have always been important business drivers, what’s different today is the intensity of the competitive environment in which they must be achieved.

At the same time, businesses have to be more responsive to increasingly demanding customers and to other stakeholders—including, in some cases, regulators—who demand greater transparency. It’s an environment that has been described as the “new normal,” characterized by rapid, frequent and often disruptive change, and by the emergence of a much stronger customer voice that is changing the basic relationship between buyers and sellers.

In recent years, larger organizations have been turning in growing numbers to the use of business analytics as an important tool to meet these challenges. More than 83 percent of global CIOs surveyed by IBM in 2010 singled out business intelligence and analytics as one of their visionary plans for enhancing competitiveness.¹ That trend is accelerating: a 2011 study² reported a single-year increase of 57 percent in the number of organizations adopting business analytics to drive competitive advantage. The same study also highlighted the success those efforts are achieving, with analytically sophisticated organizations more than twice as likely to outperform their industry peers as those organizations just in the early stages of business analytics adoption.

¹ The Essential CIO: Insights from the Global Chief Information Officer Study, IBM Institute for Business Value, 2010.
² Analytics: The widening divide: How companies are achieving competitive advantage through analytics, IBM Institute for Business Value and MIT Sloan Management Review, 2011.
The Benefits of Business Analytics

For the most part, the explosive success of business analytics has been a big-business story until now.

As a recent survey of midsize, c-level executives conducted by Inc. for IBM illustrates, midsize companies are aware of the benefits business analytics can provide, but many decision makers at these businesses have a faulty perception of how accessible the benefits have become to organizations like theirs. The benefits are well documented and include:

- Greater visibility into data and greater capability to analyze it.
- Ability to measure and monitor financial and operational business performance, analyze results, predict outcomes and plan for better business results.
- Organization-wide access for decision makers in an interactive, self-service environment for exploration and analysis of data.
- Ability to drive business-wide productivity and profitability improvements.

Overcoming perceived barriers

What’s stopping many midsize companies from pursuing those advantages through business analytics solutions is a set of perceived barriers, mainly that business analytics solutions are too expensive for small or midsize organizations, cited by almost half the Inc. survey respondents. As the CEO of a $50 million manufacturer of custom heaters and LED lighting assemblies put it, “It’s a good tool, but it requires additional overhead to make it work properly, and the upfront cost isn’t cheap, either.” Other perceived barriers include the belief that it is too difficult to implement business analytics, especially when it comes to integrating the new technology with existing applications and embedding its functionality within them; that integrating structured and unstructured data into cohesive strategies to achieve unified

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business objectives is too great a challenge; and that integrating relevant business data and analysis into existing CRM infrastructure presents an unreasonably high hurdle.

In point of fact, the reality of business analytics in terms of affordability and accessibility is much different from the perception of many midsize organizations. Solutions now available to midsize businesses are specifically designed to put analytics capabilities in the hands of everyone who needs them at a price they can afford. As the organization and its business analytics needs grow, business analytics solutions—many of them cloud-based—are designed to scale right along with them.

Challenges and Business Intelligence Solutions

Three prominent trends documented by the Aberdeen Group⁴ make a compelling case for the growing importance of business analytics to midsize companies:

1. **Big data.** The first is the explosion of data flooding organizations on a daily basis from both internal and external sources. This data is more disparate and complex than anything ever seen before and increasingly includes customer-generated data via social media and other channels. Collectively, the phenomenon is known as “big data,” and it’s become an important factor in business decision-making.

2. **The need for meaningful analysis.** There has been a steep increase in the number and roles of decision makers at midsize companies who need direct access to data and a self-service solution to analyze it meaningfully in the context of what’s happening in other parts of the organization.

3. **Critical decisions, little time.** These same decision makers are charged with making increasingly important decisions in less time.

The Aberdeen study found that best-in-class organizations are turning to business intelligence and analytics as a solution to these challenges, putting more formalized data management practices in place and increasing the overall value of their company data. They are seeking and finding ways to make business intelligence and analytics tools available to more decision makers throughout their organizations and to make them more accessible within the shortened time windows those decision makers now routinely face. Best-in-class performers in the study reported a much higher rate of satisfaction with the quality, relevance and timeliness of accessible information, with 84 percent saying they were “satisfied” or “very satisfied” with their information environment vs. an industry average of just 35 percent.

Awareness of the benefits business analytics can provide and of the importance of finding some way to achieve those benefits was high in the Inc. survey. Sixty-four percent of respondents recognized the need for greater visibility into their data and greater capability to analyze it “in the very near future.” Another 31 percent recognized those needs but put them somewhat farther out in the future, and just 5 percent indicated they were comfortable with their current approach to data collection and analysis. Increasing focus on business analytics by midsize organizations is a global phenomenon, as well. In fact, 38 percent of midsize companies in North America ranked analytics as a technology investment priority for 2012, slightly higher than the worldwide average of 37 percent but lower than Asia-Pacific’s 45 percent. Europe trails both North America and Asia-Pacific at 31 percent, due at least in part, most likely, to continued economic turmoil and a growing debt crisis in that part of the world.

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5 Mid-Market Analytics in North America: Transforming Data into Insight, Aberdeen Group Sector Insight report, September 2012.


Meeting the need for easily accessed functional data

At most midsize companies, important functional data continues to live in departmental spreadsheets, and state-of-the-art business analytics solutions make it easy to pull all that data, along with data from other sources, together in a meaningful way that does not require a big upfront investment in hardware or software. Best-in-class solutions provide the essential reporting, analysis, dashboard, scorecard, planning, budgeting, and forecasting capabilities that midsize organizations require at an affordable price. Preconfigured solutions are designed to be easy to install, integrate with existing applications, and use.

A new generation of business analytics solutions targeting midsize businesses boast features such as a common web portal and tightly integrated security for fast, comprehensive and secure business analytics; plug-and-play compatibility and minimal impact on existing infrastructure, allowing solutions to be deployed in very little time; and the ability to handle administrative aspects of installation, deployment and ongoing management through a single, centralized web-based console. A big advantage of this new class of business analytics solutions is that it creates no additional burden on IT staff, which is stretched thin at many midsize companies, and requires no additional investment in software infrastructure. These solutions provide midsize organizations with consistent, reliable information for better, faster decision-making to manage costs, drive profitability and increase growth.
CASE STUDY:

Cincinnati Zoo: Real-World Performance

Business analytics in real time

For all the promise business analytics seems to hold out to midsize companies on the theoretical level, its performance in real-world applications is even more impressive. A case in point is the Cincinnati Zoo & Botanical Garden, a Top 10 Zagat-rated zoo that draws more than 1.3 million visitors every year. In late 2007, just before the start of the Great Recession, the Zoo began a strategic planning process. Its objectives included finding ways to increase attendance and revenues by enhancing the customer experience; boosting sales for food and retail outlets through more-effective marketing and promotions; and optimizing labor costs by gaining a better understanding of demand patterns throughout the year.

“Almost immediately, we realized we had a story being told to us in the form of internal and customer data, but we didn’t have a lens through which to view it in a way that would allow us to make meaningful changes,” says John Lucas, who was the Zoo’s director of operations at the time. “At the start, we had never heard the terms business intelligence or business analytics; it was just an abstract idea. We more or less stumbled onto it.”

As Lucas and his team learned more about it, they set about finding a business analytics solution that would meet the Zoo’s needs. They looked at a number of providers but, interestingly, almost did not include IBM in their search. “Even though it’s one of the nation’s most popular attractions, the Cincinnati Zoo is still just a $30 million-a-year operation. We were under the false impression that we could not afford IBM, and that they would not have anything that scaled to our level. But somebody pointed out that it was free to talk to IBM, and when we did, we found they not only had a solution that fit our budget, it was also the deepest and most capable solution for what we were looking to do, and it was scalable to adapt to our changing needs.”
Building a flexible solution

Among the important capabilities the Zoo’s executive committee sought to gain through a business analytics solution were the ability to analyze membership, admissions and food and merchandise sales down to the individual level in order to gain a better understanding of visitor behavior, and the ability to analyze geographic and demographic information to aid in customer segmentation and marketing. They wanted a platform that would be capable of delivering the desired goals by combining data from ticketing and point-of-sale systems throughout the Zoo with membership information and geographical data gleaned from the ZIP Codes of all visitors. That would enable the creation of reports and dashboards to give everyone from senior managers to frontline staff access to real-time information that could help them optimize operational management and transform the customer experience.

The project team consisted of senior Zoo executives and consultants from IBM and BrightStar Partners, an IBM Business Premier Partner. “We already had a project vision, but the consultants on IBM’s pre-sales technology team helped us identify other opportunity areas,” Lucas recalls. BrightStar became the Zoo’s main point of contact as the project moved into implementation, and it rolled out a platform built on IBM Cognos 8.4 in late 2010, upgrading to the new Cognos 10 early in 2011. “I am a business guy, not a data guy, and that’s what Cognos 10 does exceedingly well. Its dashboarding capability and active report iPad functionality were game changers for us,” he says.

Rapid ROI

Almost immediately, the Zoo began scoring big wins. Within the first week, it identified a long-running promotional program that was providing almost no ROI. The promotion, which cost the Zoo about $90,000 a year in discounted revenue, targeted out-of-area prospects, but the business analytics platform revealed that more than 90 percent of those redeeming it lived within 15 miles. “Over the 10 years we’d been running that promotion, we lost just under $1 million in revenue because we had no visibility into where the visitors using it were coming from,” Lucas figures.

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Other business optimization strategies flowing from the Zoo’s new business analytics capabilities include a $40,000 savings on marketing in the first year while driving enhanced and measurable results; an increase of at least 50,000 new visits in 2011 through enhanced marketing; and a 25 percent increase in food sales and a 7.5 percent increase in retail sales compared to the previous year.

The Cincinnati Zoo’s business analytics initiative paid for itself within three months and delivers, on average, benefits of more than $738,000 per year, according to a Nucleus Research ROI study. By adapting operational management to match customer demand patterns, the Zoo has been able to increase attendance and revenues dramatically, resulting in annual ROI of 411 percent. Direct (86 percent) and indirect (14 percent) benefits are pegged at more than $2.2 million over a three-year period. “Prior to this engagement, I never would have believed that an organization the size of the Cincinnati Zoo could reach the level of granularity its business analytics solution provides,” Lucas says. “These are Fortune 200 capabilities in my eyes.”
Make Informed, Optimized Decisions

The right solution can help you improve outcomes and control risk

It’s a fact: Organizations that apply analytics outperform their peers. IBM business analytics software uniquely enables your organization to apply analytics to decision-making, anytime, anywhere, allowing you to:

- Tap into all types of information
- Empower people in all roles to explore and interact with information and deliver insights to others
- Optimize all types of decisions—whether they’re made by individuals or are embedded in automated systems—using insights based on analytics
- Provide insights from all perspectives and time horizons—from historic reporting to real-time analysis to predictive modeling
- Improve business outcomes and manage risk, now and in the future

Midsize businesses in a wide range of industries use IBM Business Analytics software solutions to manage costs, drive profitability, and increase growth. See how integrated business intelligence and planning solutions help midsize companies start anywhere with the specific capability they need—reporting, analysis or planning—and expand as they grow.

Learn more about how IBM Cognos business analytics software can give you the reporting, analysis, and planning, budgeting, and forecasting tools you need to maximize the impact of your decisions.