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Weather the Financial Crunch With Proactive BI

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As companies contend with the turmoil of the recent financial crisis, they're taking a close look at how the economic realities may impact their IT spending. Businesses are scrutinizing everything, particularly much hyped technology solutions. Yet this downturn has also given enabling technology solutions a chance to shine. Over the past several months there has been a significant increase in interest around business intelligence (BI) and how it is becoming a valuable tool for companies trying to stay competitive in tough economic times. Why? BI serves two critical purposes during tough times: the ability to provide actionable data to make intelligent decisions -- and the power to avert crises before they reach the critical stage.

Whether we consider the circumstances of Detroit auto makers or Wall Street investment firms, a lack of foresight into looming disaster undeniably led to their downfall. However, cross-functional visibility is easier said than done. With disparate IT systems and a slew of mergers and acquisitions, it is often nearly impossible to consolidate information quickly enough to apply it in a proactive and constructive manner.

That's why the ability to consolidate data from multiple sources and systems is, and will continue to be, vital to a well-run business analytics engine. After all, the software is only as good as the data that goes into it. That's why businesses are increasingly investing in analytics tools that are tightly integrated with major enterprise systems such as ERP, CRM, and more.

Consider these examples: An auto manufacturer connects BI tools to each of its dealer's sales tracking system. Sales representatives use these tools to track the vehicle features (fuel efficiency, safety features, accessories, etc.) that customers are asking for. With this data at the ready, stakeholders at the manufacturer can generate real-time reports to identify consumer trends, which can be applied directly to modify and enhance ongoing product development activities, hone promotions for existing vehicles, and make other strategic business decisions.

This early insight is crucial for staying ahead of other auto makers in a fiercely competitive business. Those who have lagged behind in recognizing shifting consumer trends have been left in the dust. Case in point: U.S. auto makers were slow to recognize the consumer demand for energy efficiency. They failed to improve fuel economy in response to gas prices at their peril, according to a Consumer Federation of America report. According to Mark Cooper, director of Research for the Consumer Federation of America, "the failure of the auto industry to keep their promise to improve fuel economy after the gasoline price escalation of 2000-2001, coupled with their opposition to a meaningful increase in fuel economy standards, has undermined their credibility with the public…" Obviously this is a position no manufacturer wants to be in, particularly after investing so much money in brand identity. It all comes back to staying close to your customer and on top of emerging trends.

Moreover, companies across a range of industries are leveraging their BI tools to understand and manage product losses. It costs the pharmaceutical industry upwards of $2 billion a year in returns and product losses, according to the Healthcare Distribution Management Association. There is a better approach. A drug manufacturer, for example, receives automatic data feeds from its retail customers that include the volume and type of products sold. By incorporating BI tools into this system, the company is able to see if there are products sitting on the shelves, and modify production rates so that they're in line with current demand. By having BI software tied to the ERP system, the manufacturer can receive early alerts about expiration dates of products still on the shelf, and adjust ship dates accordingly.

These tools have also been applied to give decision makers insight into profitability across the enterprise. Whalen Furniture, for example, found that by tying its ERP system to a BI engine it could finally unify operations across its facilities across several continents. This visibility revealed huge losses that had been masked before by another company group's profitability. By having insight into the profitability of individual groups, the manufacturer was able to quickly focus on the major problems and resolve them. They changed the product mix and quickly began realizing a profit.

This level of integration also alleviates a major problem plaguing most businesses today -- over reliance on IT. Stuck in the static reporting realm, business users are accustomed to going to IT every time they need to generate a report from multiple data sources. However, this approach is inefficient, and will not scale to handle the myriad of reports required by any number of decision makers. It's costly and far too time-consuming for today's agile business needs. By the time the decision maker receives the report it's often too late to react to the trends they see.

Even relatively small businesses are capitalizing on BI tools to drive decision making. For example, Charter Baking Company of Boulder, Colorado utilizes business intelligence to analyze data holistically and identify trends across the entire operation. Multiple acquisitions had left the company with four plants, each with its own separate data warehouse. The systems could not generate individual reports relating to activities in each specific plant, and lacked the ability to produce reports by brand, district, route, or customer. Thus, the company spent an inordinate amount of time generating customer reports, but little time analyzing them. Because managers could not drill into the reports and evaluate system-wide numbers, they were unable to spot sales trends and react to them in a timely manner.

The company decided to run BI software on the front end of its SQL database, enabling staffers to track sales trends relating to brands, individual products, plants, and retail customer purchases. Today, if a staffer notices that product returns seem high in a particular area, he/she doesn't have to call IT and wait hours for a follow-up report to gain insight into the problem. The staff can drill down right away and look at numbers generated by district, by division, by route, or by customer. This saves the organization time and quickly gets to the root of the problem.

BI is the backbone that drives today's leading organizations, and will grow in prominence as companies are pinched during turbulent economic times. Being second best isn't good enough. Companies need faster insight into the ever-changing conditions "on the ground" that impact their financial health. The benefits are twofold. First, it makes the organization more lean and efficient by tying together disparate sources of information for faster decision making. Second, organizations gain a competitive advantage by having direct, immediate insight into operations across the organization, from customer and industry trends to budget controls to service inquiries. Actionable information that enables critical decisions can be the difference between success and failure. This intelligence is what will power the most successful businesses as they emerge from one of the most difficult financial crises we've ever seen.