

Identifying cost culprits and optimizing business using analytics

*In the uncertain business environment of 2009, business analytics grew robustly driven by cost cutting measures. **Akhtar Pasha** describes how Indian businesses are using analytics to identify enterprise-wise cost culprits in order to optimize their business processes*

Maximizing business intelligence (BI) to improve decision making, increase efficiency and productivity is an imperative in today's world. Additionally, the credit crunch and recession created a sense of urgency prompting companies to keep their fingers on the pulse of business and find ways to work faster, smarter and better. It's no surprise that BI and analytics, which provide visibility and insight into business operations, have grown in importance and become an area to watch starting in 2009 and this area will continue to gain traction in 2010 as well.



Given the economic realities, effective BI solutions in the coming year will be those that help organizations rapidly tackle specific, immediate business needs without taxing their valuable IT resources. These needs include reducing costs, increasing revenue, eliminating inventory and improving customer satisfaction.

Consider this interesting bit of information put forth by Dr. Y. L. R. Moorthi, a professor at IIM, Bangalore. He asked "Who is the biggest in the music business in India? You would think that the answer is HMV Sa-Re-Ga-Ma. Sorry, the answer is Airtel. By selling caller tunes (that play for 30 seconds) Airtel makes more than music companies make by selling music albums (that run for hours). Incidentally Airtel is not in music business. This sort of competitor is difficult to detect and even harder to beat (by the time you have identified him he has already gone past you)." Perhaps businesses are also trying to make intelligent decisions based on hard facts to survive.

There have been some key developments in analytics, and let's look at them first.

Innovative use of BI

Though the sales of enterprise application software remained muted for most of 2009, the market for BI and analytics saw some large projects kick off and these were not merely about applying analytics to gain a 360 degree perspective of customers or to cross/up-sell as was seen in banking and telecom. We saw BI moving from a simple query and reporting tool to analytics and predictive analytics applied across departments to gain enterprise-wide visibility.

For example, a PSU bank is using analytics to improve its working capital by deep diving into the profiles of its corporate customers. It means that analytics has become an important survival strategy for businesses. Similarly, another PSU and one of Asia's largest direct selling MNC organizations (selling white goods) with multiple consumer products is

trying to achieve data harmony by cleaning its customer data (addresses) existing in multiple systems and reported in multiple formats. A FMCG company is using analytics to check the incentives passed on to retailers for using their shelf space. Manufacturing companies are using it to reduce their production wastage and optimize spend management as well as spare parts availability.

The bulk of the traction was seen in government projects, BFSI for risk analysis and management of churn, compliance, non-discretionary spend, customer intelligence and to identify best customers, customer retention, warranty analysis and optimizing and cutting costs in the supply chain.

Sanjay Mehta, CEO, MAIA Intelligence, said, "In 2009, we saw most predictions going awry. However, analytics was used as a means of cutting costs by many businesses. Customers are not ready to wait for a long term deployment as they face rapid growth in data volumes, M&A, government regulations and competition. So instead of the traditional approach to BI that involved building a data warehouse, customers have started directly using the predictive analytics model."

Having said that, let us investigate this trend and its impact on businesses across key verticals such as government, BFSI, telecom, software houses, FMCG, brokerage houses and how they are using it end-to-end to manage their growth, optimize, reduce costs and improve their top line revenues.

We've seen a growing dependence on BI and analytics across industries to drive better, faster decision-making and reduce risks. Customers are telling us that BI is no longer a nice-to-have, but a must-have to survive and thrive in today's increasingly competitive market.

Query and reporting moves to business analytics

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- Sanjay Mehta
CEO, MAIA Intelligence

For more than 40 years, IT focused on operational efficiency. Companies used to use IT to automate front and back office operational systems that resulted in tremendous gains in operational productivity, but the same technology consistently failed to meet the needs of decision-makers. Business users were frustrated because although they understood the business and the data, they still had to spend so much of their time finding it, massaging it, and having to do it all over again when they needed to run a report with fresh data.

BI has moved on from query and reporting tools, though standardized and efficient reporting remains the best way to start any BI project. Areas that are getting a boost from BI initiatives include customer, risk and product management. CIOs these days are talking about how their core business can get the agility needed to act profitably in as real time a manner as possible and they are looking at all areas within the enterprise for leveraging the same. Organizations need fast, flexible reporting systems that allow them to quickly access and analyze data.

Today, analytical excellence is the name of the game. Winners and losers are determined by the quality of predictions and decisions and immediate access to information across the enterprise is mandatory. BI is an enabler for competitiveness.

Let us now closely examine how businesses are leveraging analytics end-to-end.

Identify cost culprits

Mehta cited the example of Reliance Mutual Fund which is using 1KEY analytics end-to-end to manage its business. The company uses 1KEY intelligence that pulls the data from nine mission critical applications used by fund managers, risk team, treasury, research, sales and marketing, MIS, operations and IT.

To boost revenue growth

Manufacturing customers would require spend analytics extending enterprise performance management (EPM) into business operations, giving business users organization-wide the ability to pinpoint potential opportunities for cost savings, rationalize suppliers in tune with corporate strategy and track compliance with vendor contracts.

For example, Bharat Forge Limited (BFL), the world's largest forging conglomerate, is using the 1KEY Agile BI Suite to meet reporting and analytics challenges associated with its greatly accelerated business growth. The software is able to generate complex reports as per the company's needs. BFL is collecting a massive amount of manufacturing, customer, and business data through a variety of channels. As a part of the project, the MAIA team and its partners will connect to the SAP system and generates reports like Variance Analysis, Cost Reduction reports, Exports Tracking report, Actual Consumption vs. Budget report, Daily Production report and so on. To start with, data from the manufacturing, finance and operations will be connected to 1KEY's visual information dashboards and content-rich reports for insights into inventory, costs, customers, profitability and key business areas including revenue management, reservations, management reporting and performance analysis. BFL will also use 1KEY for market performance analysis, operations, strategic account management, and global sales analysis on a daily basis.

Reducing IT costs; tracking operations and SLAs

The IT team at Reliance Mutual Fund uses 1KEY to track and manage all the SLAs for its nine applications and vendors. It has given the company sufficient proof points on application downtime vis-à-vis agreed ratio, as the fund's business directly depends on applications and IT systems. Similarly, the company has created metrics and SLAs that used 1KEY to manage the AMC of hardware systems.

Analytics in energy forecasting

India Inc. has taken a giant leap into business analytics. The story is quite absorbing as it captures how businesses have started applying analytics end-to-end in optimizing their business functions and cut costs to safeguard their margins, profits, meet customer expectations and reduce risk. We expect the trend and momentum to continue in 2010.

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