



Increasing the AQ in your industry

Learn how analytics adoption can help you and your organization outperform

Overview

Today's business environment is fundamentally different. Increasing market consolidation, uncertainty and risk, pressure from shareholders and new legislation are all placing unprecedented pressure on business leaders to make faster, more fact-based decisions that maximize profitability and drive new competitive advantage.

In addition to this challenging landscape, organizations are grappling with:

- **Lack of Insight** – 1 in 3 managers frequently make critical decisions without the information they need.
- **Inefficient Access** – 1 in 2 don't have access to the information across their organization needed to do their jobs.
- **Inability to Predict** – 3 in 4 business leaders say more predictive information would drive better decisions.

Business analytics is the key. By bringing optimized performance, informed decisions, actionable insights and information, business analytics can help your company outperform and out-manuever the competition and answer fundamental questions such as *How are we doing? Why?* and *What should we be doing?*

AQ defined

Organizations and individuals that use analytics to drive their business are the ones with a high AQ – or high Analytics Quotient.

A new metric, AQ measures your readiness, ability and capacity to locate and apply insight, re-orienting your business to make better decisions; decisions that will deliver better outcomes. It measures your ability to act based on understanding history and context from the past and your ability to make insightful forecasts, anticipate likely outcomes, optimize recommendations and judiciously automate decisions.

Every organization, team or individual is at their own point in leveraging analytics to outperform. Some are masters; others are just starting out.



The AQ maturity model shows four levels, each representing an increase in the ability to leverage analytics: The first “Novice” level is characterized by everyone looking at their own piece of the pie and using “gut feel” with a limited historical view into past performance, often based on spreadsheets.

The second “Builder” level is defined by broader collaboration across teams – typically within one department – with both a historical and current view as well as trending over past and future time periods.

“Leaders” are those in the third level, typified by VP-level accountability with defined operational and financial metrics across more than one department. Integrated, driver-based planning aligns resources and predictive models are used to understand “what if” performance and risk scenarios.

“Masters” are those in the fourth level. They set top-down goals and allocate resources based on priorities and shifting dynamics. Everyone knows the objectives and how they can collaborate across the organization to achieve them.

Why a higher AQ matters to your industry

- First Tennessee Bank receives a 600 percent ROI with more effective marketing resource allocation.
- Food producer Malt-o-Meal saves \$13 million each year through improved operations.
- Manufacturer Becker Underwood saves close to \$1 million each year with analytics.
- Selective Insurance quickly achieves a 40 percent growth in its specialties program through insights that help bring competitive products to the marketplace faster.

Examples of the various industries with higher AQs are all around us. Smarter systems – analytics practices and organizational adoption that spans all people and the processes and perspectives they support – are being implemented and are creating value in every major industry, across every region in both the developed and developing worlds. This idea isn’t a metaphor, or a vision or a proposal – it’s a rapidly emerging reality.

Benefits of a higher AQ: A retail example

In an industry marked by furious competition and tight margins, fundamental questions retailers need to answer include:

- How do my customers feel about their shopping experience?
- How can I avoid out-of-stock issues in my stores?
- Do I have enough visibility into my store operations?

Getting these answers can be complex. Retailers need to pull data from endless systems including e-commerce systems, ERPs, merchandising, point of sale, social media, contact centers, warehouse management systems, finance, market research, supply chain management and more. Those that have a lower analytics adoption or AQ commonly suffer from the following pains:

- Unable to match shopper preferences and behavior to offerings
- Fractured planning processes
- Inability to accurately see trends and predict
- Un-optimized inventory investment
- Operational complexity
- Difficulty bringing new products to market
- Lack of visibility into key operational and store-level expense areas

However, some retailers are moving up the maturity scale. They are adopting analytics across every part of their business – customer analytics, supply chain, merchandizing, and operations – to ultimately acquire and retain profitable and loyal customers, while improving their bottom line and competitive posture.

In the novice phase, retailers typically begin with a spreadsheet-based department or individual store level scorecard. Retailers can track departmental level trends and conduct analysis in single category. As they move to the builder phase, they can view at-a-glance results of flash sales, rank stores by region, compare labor expenses to budget and effectively identify profitable customers.

Retailers in the leader phase can begin to perform merchandising analytics across stores and supply chain, compare and predict channel success, optimize store level assortments, incorporate social media insights to identify new market segments and perform market basket analysis to run cross-sell and up-sell programs. Masters in retail excel at all these capabilities, but then often bring in fraud reduction capabilities and sophisticated abilities to personalize campaigns by segment.

A higher AQ is playing a pivotal role in every industry. Here are only a few areas people in your industry are using analytics to outperform:

- **Banking:** Manage risk, increase customer care and insight and lower operational costs.
- **Chemicals and Petroleum:** Maximize the supply chain, manage top and bottom lines and streamline and regulate financial processes.
- **Defense:** Improve visibility into and across their agencies, tie program success to budget allocation and increase responsiveness and organizational effectiveness.
- **Education:** Improve student, teacher and curriculum performance, align along organizational goals, improve financial performance and enhance advancements management.
- **Government:** Demonstrate transparent processes, accountability, good governance and results throughout the agency.
- **Healthcare:** Drive operational efficiencies, reduce costs, improve the quality of care and provide cost and quality information to purchasers, consumers and regulators.
- **Hospitality and entertainment:** Rate promotional performance, understand and cultivate loyal customers and group data for a single view of revenue and market share.
- **Insurance:** Gain deep executive insight, manage risk, increase customer loyalty and streamline claims management.
- **Manufacturing and supply chain:** Improve service levels, gain visibility into revenue and profitability performance, control costs and better manage extended and complex supply chains.
- **Pharmaceuticals and life sciences:** Improve product development, increase operational performance, drive revenue and market share and comply with regulatory requirements.
- **Telecommunications:** Improve asset utilization, analyze financial performance, optimize call center operations, analyze cross-platform advertising opportunities and prevent subscriber churn.

Companies are leveraging business analytics to realize substantial near-term ROI in all of these areas. But they are also discovering something deeper. They are finding the hidden treasures buried in their data.

Why IBM Business Analytics?

As new economic challenges present themselves, and as new technologies and trends emerge, our mission is to empower you and your organization with powerfully simple and adaptive analytics that deliver the insight and foresight needed to drive better outcomes – to raise your AQ and enable the next step in your analytic journey.

Unlike standalone software vendors that only focus on the short term needs of the business user or big ERP providers that rely solely on centralized IT deployment of their add-on analytics capabilities, only IBM is delivering a single, integrated business analytics system.

There are many reasons why an investment in IBM Business Analytics is a wise choice. They include unmatched software maturity, faster methods and the requisite industry experience to get the job done right.

The software

IBM Business Analytics software delivers complete, consistent and accurate information that decision-makers trust to improve business performance.

The core components of business analytics include:

- **Business Intelligence:** Query, reporting, analysis, scorecards and dashboards to enable decision makers across the organization to easily find, analyze and share the information they need to improve decision making.
- **Analytic Applications:** Applications that package business analytics capabilities, data models, process workflows and reports to address a particular domain or business problem (e.g. customer, workforce, supply chain and financial performance management).
- **Financial Performance and Strategy Management:** Budgeting and planning, financial consolidation, scorecarding and strategy management, financial analytics and related reporting capabilities to help simplify, structure and automate dynamic and sustainable financial performance and strategy management practices.
- **Advanced Analytics:** Data mining, predictive modeling “what if” simulation, statistics and text analytics to identify meaningful patterns and correlations in data sets to predict future events and assess the attractiveness of various courses of action.
- **Governance, risk and compliance:** Manage governance, risk and compliance more effectively with tools that improve business processes and increase efficiency and accountability.

With IBM Business Analytics offerings, organizations can implement a complete framework or pick and choose the products that best suit their business requirements, budget or existing systems.

IBM has proven time and again with analysts, customers and thought leaders our ability to deliver top-line value. Only IBM Business Analytics uniquely empowers:

- **All people:** Empower everyone across your organization and beyond to take advantage of business analytics – enabling individual to internet-scale solutions.
- **For all decisions:** Support all decisions – from highly collaborative strategic decisions to fully automated ones – with the right analytic capability and insight needed to drive the ideal course of action.
- **With analytic freedom:** Equip everyone with fast, easy business analytics anytime, anywhere.
- **Now and in the future:** Take advantage of IBM’s best-in-class information management capabilities to deliver trusted information, as well as the rich domain and industry expertise, research, solutions and services to enable your business with a sustainable solution now and in the future.

The speed

IBM employs dedicated business analytics and optimization (BAO) practices staffed by consultants who understand this world. IBM invests heavily in our own solutions and industry-specific partnerships that measurably reduce the cost of acquiring, managing and extracting value from information.

IBM is also the only vendor to offer a suite of solutions – including industry accelerators that address analytics, planning and performance management process areas that directly impact an organization’s ability to create business value. These Blueprints are free quick-start models that speed implementation, reduce ROI and bring in industry best practices in planning, scorecarding, reporting and more, maximizing the effectiveness of your implementation.

As an example, current Blueprints for banking include areas such as relationship pricing, customer profitability, branch performance and client servicing. For an industry such as retail, Blueprints include areas such as assortment management, store development, merchandise and promotions planning and other key areas where fast, accurate answers are needed.

The experience

With over 23,000 customers – both large and small – IBM has a proven history in implementing business analytics around the world. Leading players in industry have chosen IBM Business Analytics software, including:

- Four of the top five banks in the world, and all of the top five banks in North America and Europe
- Four of the top five P&C insurance companies
- All of the top five pharmaceutical companies
- Four of the top five chemicals companies
- Four of the top five aerospace and defense organizations
- Four of the top five retailers
- Four of the top five consumer products companies
- Thousands of government agencies, healthcare organizations and educational institutions

Summary

Forward-thinking business leaders, policymakers and government officials around the world understand the challenges a wealth of data can bring, and they are stepping up to them. Above all, they realize that they cannot wait. They cannot let this moment pass. The time to act is now. The decade of smart is under way. For more information on how industries are leveraging IBM Business Analytics please visit:

- **Banking:** www.ibm.com/analytics/banking
- **Chemicals and Petroleum:** www.ibm.com/analytics/petroleum-chemicals
- **Consumer Products:** www.ibm.com/analytics/consumerproducts
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- **Telecommunications:** www.ibm.com/analytics/telecommunications

Are you interested in discovering your AQ? Come to www.ibm.com/analytics/aq to take the fast, easy quiz. Answering a few questions will provide you with your AQ so you can see where you are on the journey to becoming analytics-driven.

About IBM Business Analytics

IBM Business Analytics software delivers actionable insights decision-makers need to achieve better business performance. IBM offers a comprehensive, unified portfolio of business intelligence, predictive and advanced analytics, financial performance and strategy management, governance, risk and compliance and analytic applications.

With IBM software, companies can spot trends, patterns and anomalies, compare “what if” scenarios, predict potential threats and opportunities, identify and manage key business risks and plan, budget and forecast resources. With these deep analytic capabilities our customers around the world can better understand, anticipate and shape business outcomes.

For more information

For further information or to reach a representative please visit ibm.com/analytics.

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3755 Riverside Drive
Ottawa ON K1G 4K9
Canada

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