

January, 2009

Driving Performance in the Mid-Market with a Best-in-Class BI Strategy

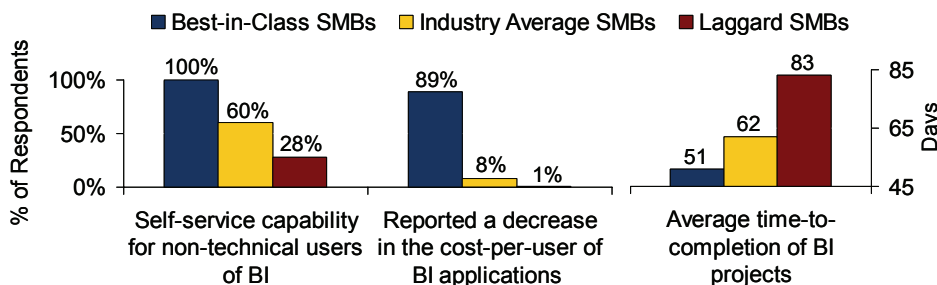
Aberdeen's October 2008 report, *Business Intelligence for the Small to Medium Sized Business (SMB)*, demonstrated that small and midmarket companies have entered the market for Business Intelligence (BI) and are leveraging these tools to drive substantial improvements in employee productivity. According to the research, 59% of all respondents felt that the need to provide faster access to relevant business data was the number one pressure forcing them in the direction of BI. Promoting historical analysis, real-time operational visibility, and predictive management through BI and analytical tools has become a key ingredient of long-term sustainability, particularly in a volatile market landscape. While traditional BI tools were not necessarily appropriate or cost effective for companies of all shapes and sizes, a new breed of BI has since emerged with pricing, packaging, and deployment options suited to a wider range of organizations. These solutions offer the ease of use and deployment options that enable mid-market companies to enter and thrive in the analytical world.

This Aberdeen Research Brief takes a deep dive into a data set based on feedback from nearly 650 SMB organizations. The data shows that Best-in-Class companies are leveraging a comprehensive set of organizational capabilities to drive significant ROI from their BI investment (more than two-times the return of some of their peers, see sidebar).

The Real Value of BI for SMBs

Another major pain point in the SMB market is the need to get analytical capabilities into the hands of more people in the organization that can really benefit from its use. Aberdeen's research shows that Best-in-Class SMBs were not only more likely to spread BI capabilities to more non-technical end users, but also to do so in a self-service capacity (Figure 1).

Figure 1: Best-in-Class SMBs Reduce Cost and Deployment Time



Source: Aberdeen Group, October 2008

Research Brief

Aberdeen's Research Briefs provide a detailed exploration of a key finding from a primary research study, including key performance indicators, Best-in-Class insight, and vendor insight.

Fast Facts

Best-in-Class SMBs achieved:

✓ A **56% ROI** on BI projects

Compared with:

✓ A **37% ROI** for Industry Average SMBs

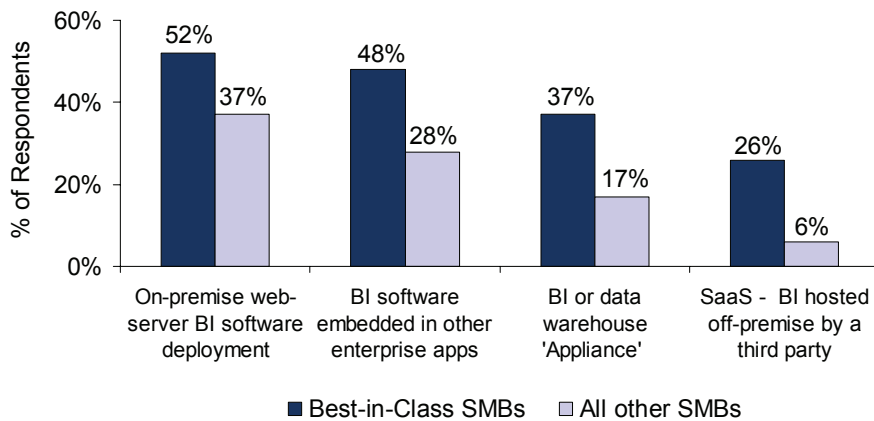
✓ A **28% ROI** for Laggard SMBs

By broadening the applicability and usability of BI in their organizations, Best-in-Class SMBs were able to dilute the impact of their analytical investment and achieve a lower cost-per-user. Additionally, another major cost factor of BI is related to implementation time. Projects that drag on without any measurable progress are a substantial cost drain and compromise an organization's ability to realize any kind of favorable return.

BI Deployment Options Abound

Figure 2 shows that Best-in-Class companies were able to complete BI deployments, on average, a month faster than Laggard SMBs. Beyond the traditional on-premise approach to BI, the research shows that companies now look for a larger menu of options when it comes to deployment.

Figure 2: Best-in-Class SMBs Exploit a Variety of BI Strategies



Source: Aberdeen Group, October 2008

The data shows that Best-in-Class SMBs are more likely to use a traditional on-premise deployment of BI than any other approach. Companies seeing success with this approach are able to leverage a dedicated "behind the firewall" application for swift and secure access to corporate data for the purpose of timely analysis. When implemented properly, this web-server based approach can be accomplished in a condensed time frame and will often facilitate self-service analytics through web-based portals and other collaborative features.

Some organizations, particularly in the SMB space, lack the resources and internal domain expertise to pursue a best-of-breed approach to software deployment. Consequently, these organizations look for a consolidated environment and seek to have their BI capability incorporated into their key enterprise software platform such as ERP or CRM. Other organizations bogged down with data volume and complexity might look for a data warehouse or BI "appliance" (a blend of dedicated hardware and software designed to address a specific analytic need) in order to simplify and optimize the querying process for faster and more efficient data access.

Best-in-Class SMBs Defined

In the October *Business Intelligence for the Small to Medium Sized Business (SMB)* report, Best-in-Class SMBs achieved the following mean class performance:

- ✓ A weighted average 11% increase in employee productivity - measured as a reduction in time spent searching for information
- ✓ A weighted average 9% reduction in cost-per-user of BI applications
- ✓ 58% of Best-in-Class SMBs provide access to key information in real time, or near real time
- ✓ 100% of Best-in-Class SMBs deliver self-service BI capabilities to non-technical

Another BI deployment option that has gained steam especially with small and midmarket companies is an off-premise Software as a Service (SaaS) or third party hosted approach to BI. Relieving much of the technical burden associated with BI deployment and ongoing management, and removing most (if not all) of the up-front licensing costs, a SaaS approach appeals to some of the more modestly resourced companies. End-user interviews have revealed that this approach is instrumental in delivering more analytical capability to the organization, and with lighter technical requirements for implementation, a SaaS deployment also promotes self-service BI delivery.

Each approach carries its own advantages and disadvantages, and even in the SMB market, there is no one "cure-all" solution to resolve any and all analytical challenges. However, Figure 2 demonstrates that Best-in-Class SMBs have made efforts to leverage more than just one approach in order to develop a comprehensive strategy for BI deployment. For example, say a consumer products distributor might utilize a specialized BI appliance to manage the volume of its inventory flows and a SaaS BI tool integrated with its CRM solution for customer analytics. The data shows that Best-in-Class SMBs are more likely to employ multiple BI deployment strategies to best fit the needs of their organization, i.e. the right tool for the right job.

Fast Facts

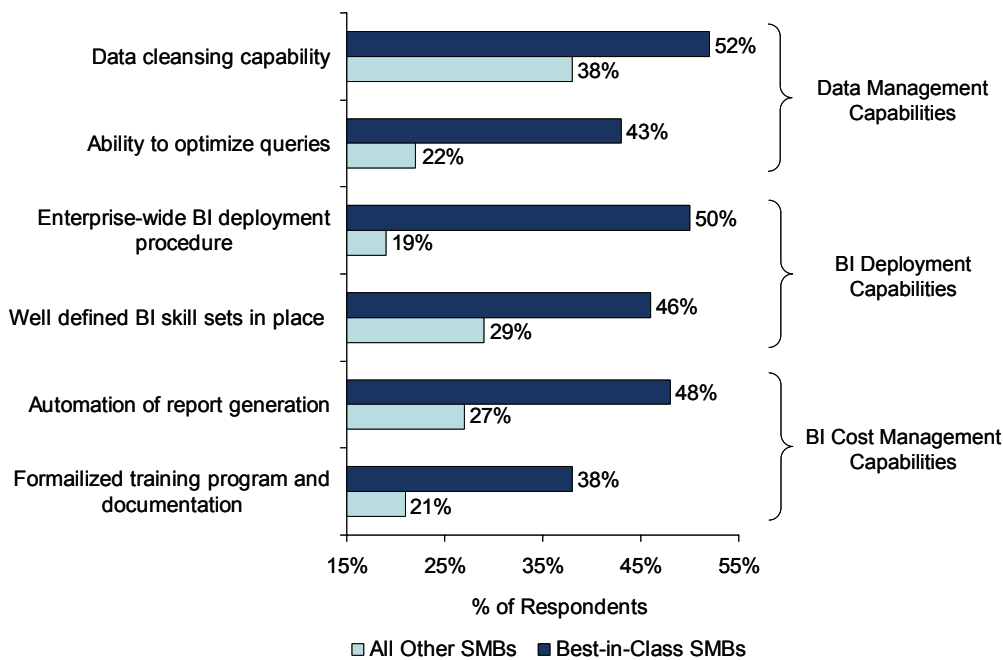
Pervasiveness of BI deployment for small-to-medium businesses:

- √ Departmental (sales, marketing, finance): 42%
- √ Enterprise-wide: 34%
- √ Project based (defined project with end date): 19%
- √ External facing (extranet, service bureau, etc.): 5%

Characteristics of a Best-in-Class SMB

The [October SMB report](#) delineated three main areas in which Best-in-Class SMBs had excelled in order to facilitate more efficient BI (Figure 3).

Figure 3: Key Organizational Capabilities for Better BI



Source: Aberdeen Group, October 2008

First, the top performing SMBs were able to position their data infrastructure to allow for faster access to cleaner and more relevant data. Second, these companies made efforts to optimize their deployment strategy to fit their particular analytical needs. Third, Best-in-Class SMBs had an approach to cost management that looked beyond just the upfront licensing costs to the ongoing maintenance, support, and hidden costs as well.

When it comes to data management, companies struggling with significant volumes of structured and unstructured data are often hindered by slow and inefficient querying of that data. Having the proper skill sets and tools in place to generate efficient and optimized queries can shave hours if not days off of an analytical project. Best-in-Class SMBs were almost twice as likely as all other companies to have the ability to optimize queries. This is critical when it comes to improving time-to-information, an important performance measure that affects user adoption. The data also speaks fairly clearly to the notion that organizations are looking to spread BI beyond just a point solution approach into other relevant areas of the business. Having a consistent and well documented approach to deploying the solution will help promote this BI expansion. Best-in-Class SMBs were more than twice as likely as all others to have an enterprise-wide BI deployment procedure. Additionally, one of the key areas where the Best-in-Class experienced elevated performance was in providing BI to more end-users in a self-service capacity. The knowledge required to use BI in a support-free way is not gained overnight. The Best-in-Class recognize this and have implemented formalized and well documented training programs to foster self-service BI. Training promotes an increased number of end-users to use BI tools, requires less time and effort to support the expansion of BI, and ultimately leads to a higher return on BI investment.

Another insight revealed through end-user discussions centered on BI skill sets and IT competency. Even in larger organizations, a major barrier to adoption of dedicated on-premise BI tools is that they simply lack the domain expertise and in-house experience to facilitate the efficient implementation and ongoing management of BI. Many companies have seen success through the use of outside consultancies or vendor-provided services to fill the gaps in their internal knowledge and improve the success of their BI projects. The data shows that Best-in-Class SMBs are leveraging a fairly wide range of vendor services to assist with their analytical implementation (see sidebar).

Case in Point

Creativity Inc., located in Van Nuys, California is a leading designer, marketer and distributor of arts and crafts products. Creativity sells its proprietary designs and brands, plus commodity products primarily to national craft chains and mass merchandisers. Selling products with fluctuating and perishable demand, Creativity required its supply chain to be

Fast Facts

Top vendor-provided services in use by Best-in-Class SMBs (percentage of respondents currently using):

- √ Annual user support (via telephone, email, web): 74%
- √ Annual software maintenance (upgrades and bug fixes): 71%
- √ On-line and / or printed documentation: 60%
- √ Access to a community of end-users and peers for ad hoc support and Q&A activity: 55%
- √ End-user training: 50%
- √ Custom development of data connectors and APIs: 43%

nimble and adaptive to the needs of its customers, and in the beginning, Creativity struggled with scattered organizational data that lacked consistency and accuracy. Particularly around issues like customer charge backs, Creativity needed an analytical tool to help proactively identify issues before they could compromise the efficiency of the supply chain and incur unnecessary costs. "Our BI initiative started with garnering support from the executive ranks," recalls Jim Mulholland, VP of IT for Creativity. "Once the CFO bought into the feasibility of BI and how it could help us better service our most important customers, we began a function-by-function rollout starting with the sales organization and working on a 30 to 60 day deployment cycle."

Working horizontally across the organization, analytical capability was subsequently delivered to the Supply Chain Management (SCM) team and the finance department as well. With cleaner and faster visibility into their rapidly changing data environment, Creativity was able to realize substantial benefits almost immediately. Perhaps the greatest impact was seen in the sales group. With dedicated analytical capability, Creativity was able to generate structured and ad-hoc analysis of their customers and products to determine the most profitable, and better manage where and how they applied their human capital. "When you have Fortune 1000 retailers as your customer, they're going to demand high levels of service, and through the use of BI we were able to reduce drastically the number ordering errors that occurred before the product left our door, enabling better and longer term relationships with our most profitable customers," said Mulholland.

Since implementing BI, the finance team was able to create more timely reports and saw a 50% reduction in the time required to close out the month / year-end books, while the SCM group generated a 25% reduction (conservatively) in customer charge backs. These improvements have enabled substantial supply chain efficiencies and have paved the way for future organizational growth.

Recommended Actions

Regardless of the type of BI implementation (on-premise, BI appliance, or SaaS) the ability to manage organizational data, provide it to the right people in the organization at the right time, and then do so with a keen eye on cost management is something that requires efforts to be made around organizational maturity. The following recommendations are designed to help build that internal capability and improve overall BI performance:

- **Make efforts to establish an "information culture."** As fuzzy a term as culture can be, Aberdeen research supports the notion that companies with an environment that values the collection, assembly, and delivery of key information are also generating elevated performance. End-user interviews confirmed this assertion. As one department deploys BI and displays the power of analytical tools to the rest of the organization, people get creative with the application of BI and it can spread like wildfire throughout the

Fast Facts

Creativity's IT environment consists of the following key elements:

- √ Data Warehouse - Microsoft SQL server
- √ Business Intelligence (BI) platform - Cognos/IBM
- √ Enterprise Resource Planning (ERP) - Solarsoft Business Systems

organization. The data shows that Best-in-Class SMBs are 92% more likely than all others to have established this type of "information culture."

- **Investigate the automation of report generation and delivery.** This is one of the key themes of the research centered on BI automation. Managing the full BI stack - from data warehousing through cleansing and ETL all the way to report generation and delivery - can be quite unwieldy, particularly for smaller organizations. Additionally, the data shows that a large part of the cost associated with BI is the time and effort required to generate and distribute the relevant reports to the right people. Tools and processes to automate the generation and delivery of reports will help control some of these costs and relieve some of the technical and staffing requirements of manually managing that end-to-end BI process. According to the research, Best-in-Class SMBs are more than twice as likely as all others to automate the generation and delivery of reports.
- **Actively measure and track BI costs versus the established budget.** Certain forms of BI can result in major expenditures requiring budget approval from the executive ranks. It sounds simple enough to track the cost generated from the BI implementation as it relates to the budget that was set forth, but the fact is not enough companies are doing this. The data shows that Best-in-Class SMBs are 75% more likely than all other SMBs to measure costs incurred versus the budget for BI projects, positioning them for better cost management and eventually a higher return on their BI investments.

For more information on this or other research topics, please visit www.aberdeen.com.

Related Research

<i>Business Intelligence for the Small to Medium Sized Business (SMB)</i>; October 2008	<i>Business Intelligence Deployment Strategies</i>; April 2008
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