



| A Guide to Business Intelligence

For Sales and Marketing Decision Makers

Microsoft



Business Intelligence for Sales and Marketing

The more relevant, useful intelligence you have at your fingertips – about your business, your customers, your partners and your operations – the more your organisation can make better decisions and increase competitive advantage.

Organisations implement Business Intelligence solutions to help understand their customers' buying patterns, identify sales and profit growth opportunities, and improve overall decision making. These solutions enable decision makers to:

- Minimise the time required to collect relevant business information.
- Automate the assimilation of the information into personalised intelligence.
- Provide analysis tools for making comparisons and making intelligent decisions.
- Close the loop from decision to action.

With accurate, real-time data you can spot and fix situations before they become problems and potentially spin out of control. Operating with real-time data is also vital for companies that wish to seize new opportunities quickly or adapt when customer response to a promotion exceeds expectations.

The Value of Business Intelligence Systems

Business Intelligence solutions differ from – and add value to – standard operational systems and Internet applications in three ways:

- By providing the ability to extract, cleanse and aggregate data from multiple operational systems into a separate data mart or warehouse.
- By storing data, often in a star-schema or multi-dimensional cube format, to enable rapid delivery of summarised information and drill-down to detail.
- By delivering personalised, relevant informational views, and querying, reporting and analysis capabilities that go beyond the standard reporting abilities of transaction-based systems – a requirement for gaining deeper business understanding and making better decisions, faster.

Business Drivers

The pressure for good Business Intelligence has increased as the pace of business has accelerated. On top of this need for speed, the nature and dynamics of business are changing.

Customers increasingly expect excellent – and often personalised – service; businesses are outsourcing more and more non-core functions; and the market demands better planning and less uninformed risk-taking. In short, knowledge workers are often expected to do more in a shorter time period with fewer resources.

Today, analysis is no longer performed by large teams of specialists: it has become part of all knowledge workers' jobs, so they need access to relevant information and analytic tools tailored to their needs.

Microsoft has made attaining such Business Intelligence easier and more accessible to organisations of all sizes through creating a complete, integrated platform for both Business Intelligence analysis and Data Warehousing. Working with partners, Microsoft enables Business Intelligence to be delivered to anyone, anywhere and on any platform at the lowest cost.

Microsoft's document 'Business Intelligence for Business Decision Makers' will give you further details on how Microsoft provides the power to turn information into business insight. Copies of 'Business Intelligence for Business Decision Makers' can be obtained by calling 0870 60 60 600 and quoting reference M514.

On the following pages, you will find the key objectives that make Business Intelligence essential for sales and marketing professionals, together with the tactics and solutions that can help achieve those targets.



Customer Churn Analysis

In today's volatile marketplace, customer loyalty, coupled with maximised LV (lifetime value), is the main objective for organisations seeking long-term profitability. The advent of the connoisseur customer – one who selects suppliers according to how well they match up to a range of self-determined criteria – has made the customer churn, the tendency to move to a new supplier after a period, a determining factor in the quest for loyalty.

Churn Analysis is critical in minimising customer defection, providing as it does the answer to key questions, including: how many customers have moved on; why have they done so; what is the cost to the business of the churn; are there any specific locations or products that occur unusually frequently in the churned customers' profiles? Based on the information thus gathered, marketing strategies and tactics can be created which will minimise the predilection to churn.

Business Purpose

- The business needs to know and understand customer churn levels.
- The customer retention strategy must be improved.
- New retention strategies must be adopted and followed through.

Issues Addressed

- Sales have dropped but the average spend per customer has not dropped: churn has taken place, but it is impossible to tell by how much or why.
- The organisation's brand does not compel the customer to stay loyal; the effectiveness of the retention strategy is unknown.
- Churn is commonplace in the industry and forecasting and budgeting are critical.
- New acquisition and retention measures are required.
- Individual outlets appear to be experiencing problems through dropping sales – and yet the average spend is constant.

Impact

Customer churn has a knock-on effect that impacts numerous other functions and areas of the business. Organisations experiencing such 'pain' should consider investigating Market Basket Analysis, Promotion Analysis, Sales Analysis, Web Analysis, Segmentation Analysis and Profitability Analysis.

Market Basket Analysis

The analysis of a customer's product or service transactional detail that discovers the probability of one product being purchased with another (affinity) is known as Market Basket Analysis. The results can be used to aid cross/up-selling, promotions and the re-design of the physical layout of outlets to increase sales. Affinity can be performed at various levels, from product level down to geographical (outlet) level, to provide the greatest flexibility in cross/up-selling opportunities, further leveraging sales and margin.

When combined with segmentation and other analysis features, Market Basket Analysis can be refined to include highly targeted sales and marketing techniques.

Business Purpose

- Sales revenue and margin need to be increased but the market is mature.
- Cross/up-selling is currently performed without any qualitative data that supports the products selected.
- The marketing department wishes to deploy advanced techniques such as segmented target marketing, but they do not have sufficient information to select products with the highest probability of uptake.
- Lack of affinity information makes the creation of new products or services difficult.



Insight Gained

- The results of basket analysis will provide products with a high level of affinity. Marketing can then use this information to co-locate products thereby increasing sales. Products with high margin and high affinity can be located together.
- Targeted campaigns and promotions of products or services with high affinity can be performed, increasing promotion return and effectiveness.
- New products and services can be created by reviewing affinity of products or services (e.g. bank accounts that include many additional services offered as a package).
- Layout of outlets (including Web sites, catalogue pages and call centre scripts) can be modified, based upon analysis, to increase cross/up-selling opportunities.

Promotion Analysis

Simply put, Promotion Analysis is the ability to review the financial return and effectiveness of promotions run by businesses. To measure, exploit and enhance promotions, data needs to be gathered across the enterprise from the sale, inventory, vendor and selected general ledger expense accounts, and combined into meaningful individual promotion (or rolled up) information. The transformation of this data into information provides:

- Measurement of complete profitability of the promotion (total sales, margin, associated costs such as advertising) by various attributes such as individual promotion, groups of promotions, geography, time, etc.
- Increase in the effectiveness of promotions, by analysing the different characteristics of past promotions to determine successful aspects.
- Measurement of the effectiveness of various media by deploying closed-loop analysis techniques.
- Forecast of the future success of promotions, including product demand and profitability.
- Ability to model and implement geographical and demographic-based promotions, and measure success.



Business Purpose

Promotion Analysis enables businesses to determine the success (or otherwise) of marketing activities, addressing issues such as promotion and product profitability, success by specific geographic regions, the effect of stock-outs and service delays, media selection, CPO (cost per order) and CPI (cost per inquiry), and future campaign modelling.

Issues Addressed

- Broad-based targeted promotions (for example, national) are successful in certain geographic regions and not others and the cause is not easily identifiable.
- Multiple media are used for the same or separate promotions, but there are no measurements to determine which medium is the most successful at communicating the message.
- What should be highly successful promotions result in bad feeling amongst the client base, due to lack of product or service availability.
- Merchandising has difficulty in meeting demand at all geographic locations.
- Competitors are using highly targeted and demographically-based promotional techniques which are eroding market share and brand loyalty.
- No measurement exists to show whether promotions are attracting loyal and new profitable customers (customer acquisition) or simply selling to one-off, low profitability customers.
- Reporting of promotion campaign success is required by the product's vendor; however, this information takes considerable time to collate and the accuracy level is variable.



Sales Analysis

Sales Analysis analyses data from contracts that sellers have closed with customers. Contract data (what was sold to whom and for how much) may be combined with detailed customer, product cost, selling cost and sales forecast data to:

- Assess sales team productivity (average deal size, profitability, product mix), pricing strategies and marketing campaigns.
- Identify profitable customer relationships.
- Develop new marketing campaigns.
- Align sales resources to opportunities.
- Identify and develop requirements for sales training/spread of best practices.

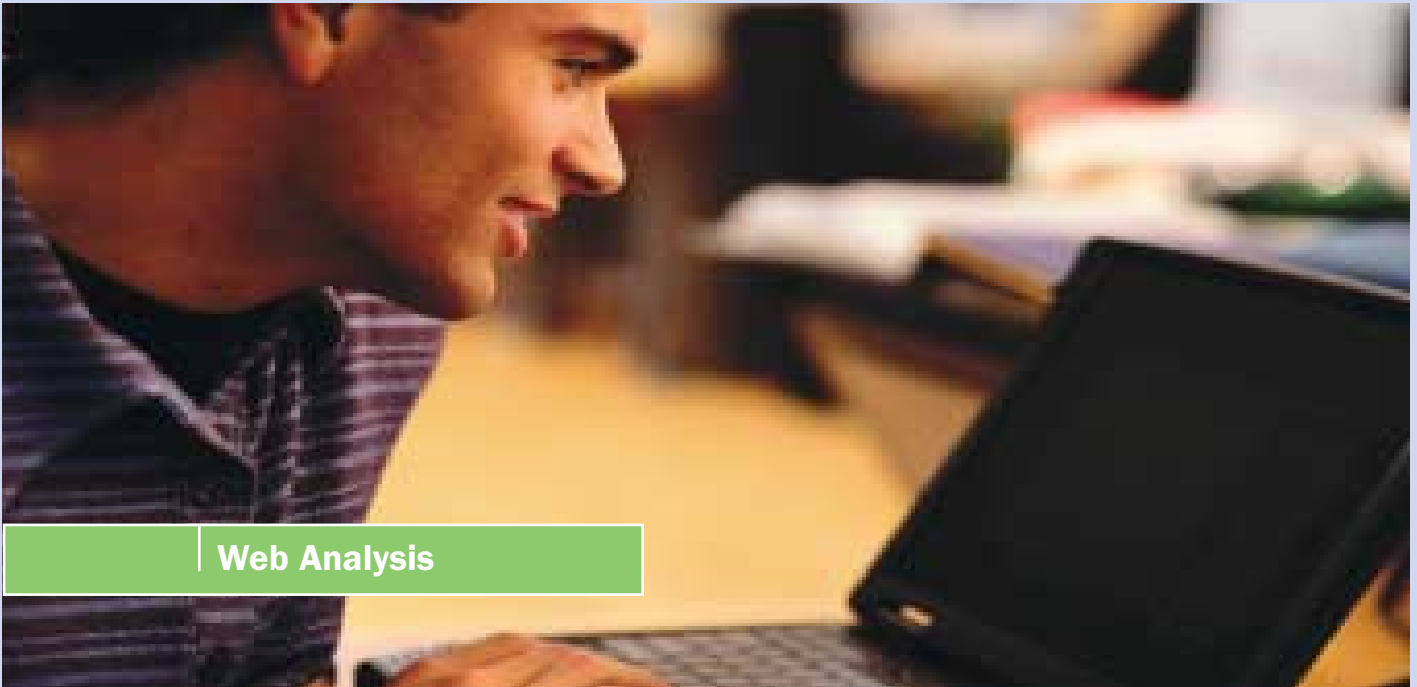
Business Purpose

Sales Analysis provides early warning of trends that can affect the bottom line, such as increasing cost of sales, decreasing sales, margins and loyalty – plus trends which may be affected by external

factors. The latter include slow growth in market share in one or more product areas or geographies. It is also capable of determining situations where sales performance is consistently out of alignment with forecast.

Insight Gained

- Identify high margin contracts with a low product mix and low margin contracts with a broad product mix.
- Identify low margin customers and realign your sales teams to focus on more profitable customers.
- Identify top margin products versus top revenue products.
- Identify top geographic sales regions and monitor trends and seasonality.



Web Analysis

Web Analysis is focused on understanding the effectiveness of a Web site, or set of Web sites, by pulling data from the Web server logs and the associated application servers. Usually the Web sites are customer-facing, but Web Analysis could equally be conducted on an Intranet site. Using Web Analysis, the business hopes to gain insight into:

- Technical Performance, including:
 - Errors and downtime.
 - Spider visits.
- Customer Behaviour, including:
 - Visitor navigation patterns.
 - Promotion effectiveness.

All the analysis is aimed at improving the effectiveness of the Web site and/or understanding customer behaviour, with an eye towards increasing loyalty and visits or purchases for target/profitable customers. Note that the business value of Web Analysis increases dramatically when Web site information is combined with a richer set of customer information and other areas of the value chain.

Business Purpose

Although dropping profitability and reduced sales in online commerce can be caused by high prices, stock shortages and delayed delivery, it can often also be a result of technical failures including frequent Web site outages, or slow performance. Web Analysis is imperative where there is difficulty in measuring the return on Web-based marketing or where the number of site visitors is dropping.

Examples of using Business Intelligence

The VP of Marketing used to receive a thick sheaf of Web site reports from the webmaster delivered to her desk every Monday, showing a wide variety of Web server statistics. It was difficult to make business sense of the reports. With her new BI Web Analysis solution, she can actually analyse the browsing and buying behaviour of customer segments, the response rate for Web promotions, spending patterns on the Web site and the impact of site performance on sales. She notes that some 30% of the most profitable users show indications that they may be terminating their relationship with the company. She looks back through her analysis and finds an e-mail promotion from four months ago that was particularly effective with the target segment, and launches a campaign to win them back.

The webmaster has found his stand-alone Web analytics package serves the IT community well, but he can't communicate the business impact of slow server response to the rest of the business. With a BI solution, he links the slow page loads to customers who (based on BI analysis) would in all probability have made a purchase but who then abandoned the site. He now has a solid business case and wins approval to increase the size of the server farm and do performance tuning.

Segmentation Analysis

Segmentation is the process of grouping customers with similar attributes together. Typical attributes include personal qualities such as age, gender, marital status and income, but may also include demographic or psychographic attributes. The segments are determined by the user and may be sub-segmented to create more manageable or more specifically targeted groups for promotions and other marketing activities.

With segmentation, sales and marketing can obtain a better insight into purchasing behaviour and the thought processes that go towards a purchasing decision; targeting of brand, marketing and promotions can be improved; and messages can be highly personalised.

Business Purpose

- The business needs to increase its understanding of the customer base.
- Communications with the customer base must be more effective.
- Revenue and margins must be increased at the same time as expenditure is controlled.
- Brand, marketing and promotions must be more targeted and personalised than the competition's.



Issues Addressed

- All customers are treated as a single group, and marketing and promotions are accordingly generic, as there is no understanding of the makeup of the customer base.
- Customers feel the company cannot deal with them at a personal level.
- The success of branding and marketing activities cannot be easily measured.
- Promotional activity can be 'hit and miss'.
- Competitors have more sophisticated tools and are therefore more able to market and sell both to their customer base and to yours.
- Measurements such as LV, profitability and loyalty are ever more important but cannot be accurately measured.

Profitability Analysis

It is essential for organisations to understand the profitability (or loss) of their operating divisions as well as current and potential goods and services they offer. By performing this analysis, an organisation is able to:

- Determine which operating units and associated sub-units or geographic locations are operating in profit (or loss), and the average margin achieved.
- Undertake corrective actions for areas that are not operating in profit or where the margin is lower than the average for the unit.
- Model the profitability of units under different scenarios allowing for the re-engineering of departments.
- Determine the profitability of the individual products or services they offer.
- Model expected profit based upon historical information for new goods and services.
- Model the effects of margin on existing goods and services resulting from changes to advertising and positioning.

Business Purpose

Profitability Analysis addresses numerous business issues. Such scenarios include, firstly, environments where the profitability of individual departments, products or services cannot be easily determined without extensive manual data collation and analysis; secondly, where it is difficult to tell cash cows from lame ducks – overall profitability is within acceptable limits, but certain products/services may be in reality creating losses; thirdly, when departments in certain geographical areas are in profit but are in loss in other areas and the reason cannot be easily ascertained; and finally, when an organisation wishes to rely on solid proof rather than 'gut feeling'.

Issues Addressed

- Current reporting provides rolled up profitability of departments only. Profitability figures for individual units that comprise the department across channels and geographic regions are not known.
- Products or services are selected for production, promotion and space allocations based upon how well they sell, but slower moving products or services contribute more margin that can surpass the contribution of the high sellers with minimal additional advertising or product/service development.
- Cultural differences may impact the selling of individual products or services in different countries, but the current reporting is only at divisional level.
- Organisational changes in design may result in profitability increasing; however, producing forecasts is cumbersome due to the volume of data that is required for analysis.
- Considerable research and development is spent on designing and introducing a new product, only to discover that it does not meet the forecasted demand.





How to find out more

For more information on Microsoft Solutions and .NET Servers, go to: <http://www.microsoft.com/uk/servers>

For more information on Business Intelligence, go to: <http://www.microsoft.com/uk/servers/bi>

For more information on case studies, go to: <http://www.microsoft.com/uk/casestudies>

For technical information on Microsoft .NET services, go to: <http://www.microsoft.com/uk/technet>

To find out about other Microsoft products and services, downloads, licensing, training, events and much more, go to: <http://www.microsoft.com/uk/askIT>

E-mail: askIT@microsoft.co.uk

Phone: 0870 60 60 600



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