Sector Insight

Aberdeen Group
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Analytics in Retail and Consumer Industries: Taking a Page from the B2B Playbook

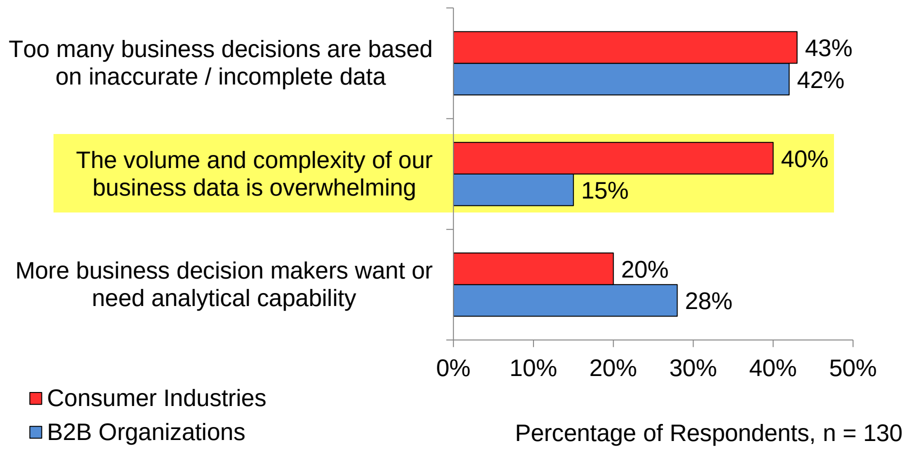
What does Wal-Mart have in common with P&G? How does Sony's strategic thinking compare with Best Buy? The worlds of retail and consumer product makers have long been joined by a common thread — the mind of the consumer. While their approaches may differ, the overall experience they provide for consumers is a very strong determinant of success. However, today's typical consumers are as fickle as they are well-educated. With consumers having unprecedented access to product information, volumes of sentiment data from social channels, and a bevy of competitors to select from, the quest to understand and predict the behavior of these unpredictable masses has grown more challenging. For business-to-business (B2B) companies, one approach to mitigating this kind of uncertainty has been to lean on the insight and decision support of business intelligence (BI) and analytics.

This Sector Insight explores the contrast between companies in these consumer industries and those operating in a B2B environment (definitions in sidebar). The research suggests that adopting essential capabilities typical to the B2B world could help consumer-focused companies develop a clearer understanding of their end customers and enhance performance as a result.

The Analytical Imperative: Data to Insight

The need for effective analytics in the business world has never been stronger, and Aberdeen's research highlights some of the top pressures driving adoption of analytical capabilities (Figure 1).

Figure 1: Top Pressures Driving Investment in Business Analytics



Source: Aberdeen Group, September 2013

Sector Insight

Aberdeen's Sector Insights provide strategic perspective and analysis of primary research results by industry, market segment, or geography.

Segment Definition

Using data collected from Aberdeen's 2013 Business Analytics survey, this Sector Insight compares two types of organizations, described in more detail below:

√ **Consumer Industries:** includes retail, consumer packaged goods, consumer electronics, food & beverage, and apparel – 40 survey respondents

√ **B2B Organizations:** traditional business-to-business technology-based companies, includes software, hardware, and service providers – 90 survey respondents

The key pain point is common for all organizations. The notion of making decisions based solely on "gut feel" is increasingly unacceptable, and companies are looking to provide visibility and clarity into their decision-making process. However, the two company types diverge when it comes to the other pressures that drive their need for analytics. Retail and consumer companies face a data challenge that surpasses most other industries. The "big data" challenge is not a simple one-dimensional problem. Traditional structured data (e.g., transactions, product data) is certainly growing but the real challenge comes in the form of unstructured data, particularly text based information from social channels. Aberdeen's recent survey on data management showed that business data is growing at an average rate of 59% a year, and over half of that data (51%) is unstructured. No companies are more subject to the whims, scrutiny, and the sentiment of social media and the blogosphere than consumer organizations are, and this is at the heart of their data challenge. B2B companies, on the other hand, face a groundswell of desire for analytical capability among business decision-makers, a major driver of their investment in BI solutions.

Fast Facts

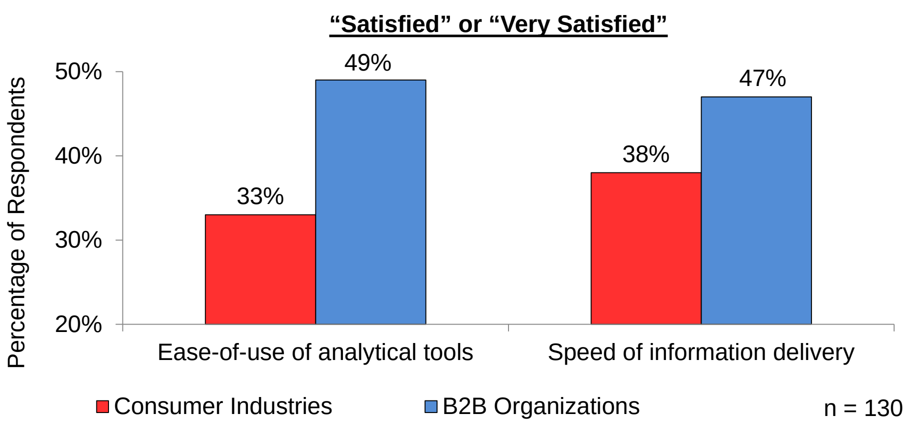
√ **23%** of respondents at consumer organizations say that they need actionable information in **real-time or near real-time**.

√ **43%** of respondents say they need **information within the day or within the hour**.

The B2B Approach: End-User Focus

Business intelligence has its roots in the IT department. Traditionally owned and operated by employees who were close to the data (database administrators, IT managers, business analysts), analytical activity has now spread to a much broader set of users. To satisfy the growing thirst for analytics among non-technical users, B2B companies have long since grasped the importance of delivering solutions that are easy to use and providing faster and more efficient access to relevant data. This focus on the end-user (as opposed to more technically inclined IT personas) is now a cornerstone of the B2B analytical strategy (Figure 2).

Figure 2: Intuitive Capabilities, Faster Insights



Source: Aberdeen Group, September 2013

On the other hand, consumer-oriented companies — perhaps due to a lingering reliance on IT to manage and deliver the bulk of business insight —

are much less likely to deliver that same ease-of-use and timeliness of information. This focus on the end-user for B2B companies, compared with an apparent reliance on IT for consumer organizations, also becomes apparent when looking at technology usage (Figure 3).

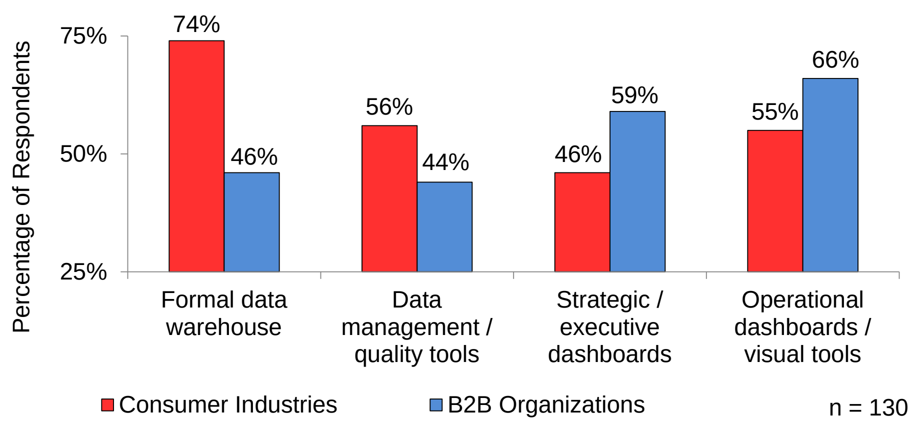
Fast Facts

√ **73%** of B2B organizations saw an improvement or substantial improvement in **customer response time** over the past year.

Compared with:

√ **58%** of consumer-focused companies.

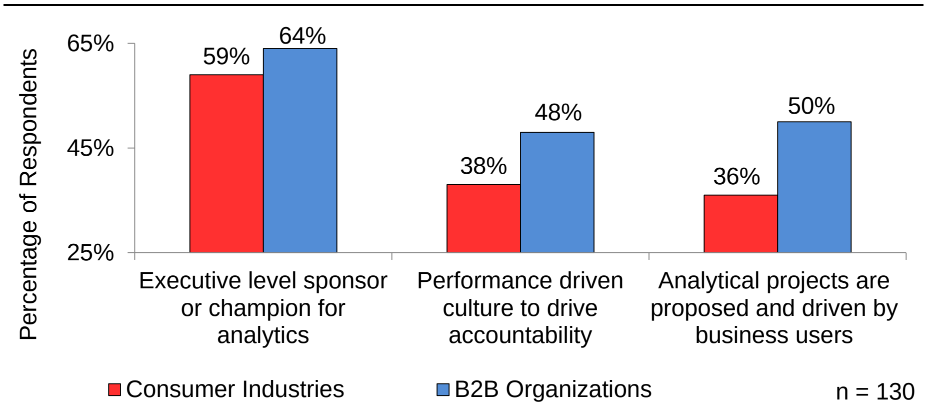
Figure 3: Technologies Currently in Use



Source: Aberdeen Group, September 2013

Consumer companies recognize their data challenge and have responded by deploying relevant technologies like a formal data warehouse to help organize and better codify their data, as well as data management tools to improve its quality and usability. However, these technologies are merely a first step in the quest to generate better business insight. Additionally, these tools are in fact traditionally owned and operated by IT as described above. B2B organizations, on the other hand, are more likely to deploy tools more appropriate for a business user audience. Dashboards can be relevant in a variety of business settings but B2B companies are more likely to arm their key executives, as well as their top operational decision makers, with the visual tools necessary to display and act on information in a timely way. The difference between the two strategies becomes even more evident when looking at their organizational maturity (Figure 4).

Figure 4: Key Organizational Capabilities



Source: Aberdeen Group, September 2013

Rightly or wrongly, the success of an analytical strategy often resides in the support (or lack thereof) from senior leadership. B2B organizations are more likely to have one or more key executives in place to help shepherd the analytical process along and improve the chances of its ultimate success. Another crucial aspect to a sound analytical strategy has to do with culture. The research continuously shows how companies that value a data-driven decision environment, and have a culture that emphasizes measurement and management of key performance indicators (KPI), are more likely to drive results from business analytics. In fairness, some of the culture gap on the part of consumer organizations may very well have to do with the geographic dispersion of many of their employees and the difficulty of building an analytical culture in such an environment. However, the typical B2B organization still leads the way when it comes to understanding and delivering on business user needs. When BI was still a young technology, many projects were conceived, implemented, and managed by the IT department. Nowadays, most companies in the B2B world recognize the need to flip the equation and drive analytical projects from the business users themselves, focusing on their needs up front while supporting the effort through technical resources (Figure 4, above).

Fast Facts

B2B organizations are:

√ **42% more likely** to track ROI achieved from analytical deployments.

And

√ **30% more likely** to review performance relative to operational KPI on a regular basis.

Key Takeaways

In one sense it is very difficult to compare consumer-oriented companies to those in the B2B world. After all, they market to and interact with their customers very differently. The markets that they serve and the strategy they create is based upon an environment that is typically much more fluid than any B2B market. However, the core of their decision environments are (or at least ought to be) very similar. No one industry or set of companies has it all figured out when it comes to effective analytics, but there are some lessons that the B2B space can teach to consumer-focused companies. Below are some of those lessons and key takeaways:

- **Business users are the tip of the spear**. Regardless of their functional area, job title, or technical sophistication, business decision makers are going to drive the value for analytics, whatever that value ends up being. This may seem like an obvious point but companies that focus only on deploying solutions that seem technically powerful, and house a broad suite of analytical functionality, run the serious risk of underutilizing those tools. BI is only effective if it is used effectively (and regularly) and B2B companies are much more likely to recognize this concept and deliver on end-user needs for business analytics rather than just investing in the hot technology of the day.
- **Data is a decision asset, not the end game.** There are many reasons to capture and store large quantities of business data, Sarbanes-Oxley and legal mandates being not the least of those reasons. However, “big data” on its own is an empty marketing term without an effective process in place to transform data into some form of actionable insight. The research suggests that

consumer-focused companies at least understand the strategic value of their data and have made investments in technology to improve its quality and usability. This is a good thing. However, the real ROI from analytics comes from equipping business thinkers with the right tools to create better decisions from that data. Intuitive and visually appealing tools for operational and strategic insight are a logical step, and the data shows that consumer organizations are somewhat behind the curve on leveraging those types of tools.

- **Analytics is an embeddable process, not just a technology.** Every decision maker in a business environment wakes up and starts the day to a set of activities that define their role. Outside of hardcore analysts and statisticians, very few of those people say "now is the point in my day where I open up my BI tool and start to perform an analysis." The most effective analytical environments are ones in which the capabilities are seamlessly integrated into the processes and everyday activities of business users. One way to do this is with embedded analytics, where the tools will be included as an extension or module within other existing software like CRM or ERP. B2B companies are 45% more likely to take this embedded approach to analytics, one that promotes analytical activity being integrated into the processes and culture of an organization.

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