

Analytics - The next the frontier

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The modern day business world is characterized by an increasingly complex and rapidly changing internal and external environment. The rate and magnitude of change is phenomenal and popular management theories are either being discarded as irrelevant or being re-written. Management training has focused on ex post analysis rather than an ex ante anticipation.

The new globalized business arena is here to stay and intensified competition is now at our doorsteps. Take a look at the US automotive industry; Toyota is now outselling General Motors and had it not been for government intervention and the call to patriotism General Motors, Ford and Daimler Chrysler would be shut. In the new globalized world previously held competitive advantages are no longer valid and the few remaining leverage points are being fought for in talent acquisition and business process management.

A manufacturing company that distinguished itself through its leading edge technology has watched its competitor rebuild their production line at half the cost and time (thanks to China) and now readying itself for a major marketing campaign. Retail companies are now competing on loyalty programs and supply chain differentiators over and above the traditional market basket analysis. For telecommunication companies the staged battle is now on pricing and this will re-define cost differentiation in the Africa telco industry. The new found wealth in the banking and insurance industry is 'knowing your customers better' and how to maximize revenue from a single customer. With so many variables changing and competition at its peak how does a company stay afloat and ahead of the pack; the answer to this question is "analytics".

Business Analytics is the analytical process of reasoning, forecasting and measuring business actions and processes based on extracted patterns in collected business data and business plans.

Here are some few facts about data in most companies:

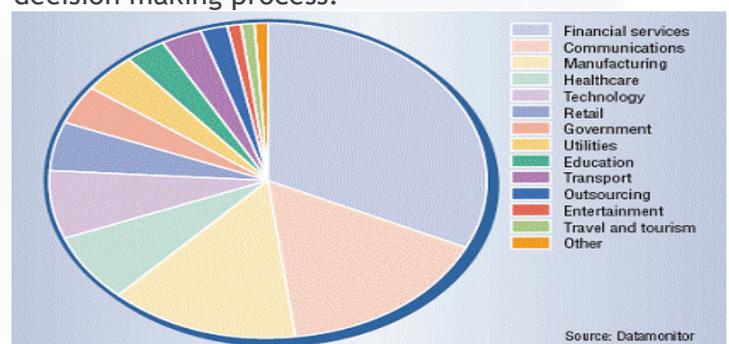
- Research shows that data growth rate in companies is between 30-70% per year.
- Knowledge workers spend about 15-35% of their working time to find information
- Estimated 20% of data in companies is used to extract value
- Most companies have experts in all their functional areas but none in analytics and statistics

Analytics is quite broad but this article is restricted to business analytics, below are some of the major uses of analytics in business:

1. Customer analytics
2. Profitability analytics
3. Supply-chain analytics
4. Human-capital analytics
5. Financial analytics
6. Budgeting and forecasting
7. Benchmarking

Leading companies have success stories in many of the areas mentioned above and the outcomes are phenomenal.

The chart below shows how different industries compare with the extent to which they use data to drive their decision making process.



White Paper

For a company to compete on analytics they need a new approach and must ask, “What are we already better at than anyone else in our industry?” or “What do we want to be better at than anyone else in our industry?” From here the company must use modelling and optimization technologies to look beyond rudimentary data or statistics. This lets them understand business trends, predict customer behaviour and correlate operational costs with financial performance. Analytical competitors also operate their data initiatives under a single, coherent approach. The programs share leadership, technology and tools.

Finally, these companies have executive support and passion for analytics and must be prepared to push the analytics culture throughout their organization. In an analytical environment ideas win the day not personalities or positions.

Business analytics has been made much easier with the current technological developments more specifically using business intelligence tools. Business Intelligence is neither a product nor a system. It is an architecture and a collection of integrated operational as well as decision-support applications and databases that provide the business community easy access to business data.

Business intelligence tools combine data from a wide variety of sources and can project an integrated, up-to-date, 360-degree view that users can use for sophisticated analysis of complex information to support their decision-making processes.

There are a number of business intelligence tools out there in the market such as SAP Business Objects, IBM Cognos, MicroStrategy, Oracle - BI Suite and SAS just to name a few. These tools are a ‘must have’ for any company keep to leverage its operations along fact based decisions and optimize its performance.

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As organizations awaken to the prospect of increased customer value and better decision-making, they are increasingly incorporating business analytics as part of their operational capabilities. Fact-based decision-making now comes standard in innovative business models.

The most strategic and aggressive companies are embracing the use of business analytics to understand - and increase the value of - their existing customers, especially as their companies weather and prepare to emerge from the global recession. These innovators understand that mere data collection is insufficient. Using data to anticipate and manage change is key. For many, the application of business analytics will better prepare them for the return of the growth economy.

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