ANALYTICS AS A BUSINESS SUCCESS TOOL BENEFITS AND CHALLENGES

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In an article from the McKinsey Quarterly issue of April 2018*, "The economics of artificial intelligence", it came out clearly that the day is not far when someone will knock your door with a few options of the items similar to the ones you have shopped recently and this itself can be a compelling proposition for you to buy it. Well, from the seller's point of view, he has pre-empted your buying something else as also forcing your decision since the product is right at your doorstep. This is the exciting possibility that Analytics, Big Data, Artificial Intelligence and Machine Learning can bring about.

At the other end of the spectrum and in day-to-day interactions, we come across businesses small and large from a turnover of a few tens of million to some hundreds of million who do not seem attracted to any kind of analytics. Yes, they acknowledge the lack expertise, feel that the investments are too huge, benefits might not be commensurate with the investment; outcomes may cause heartburn or affect "loyalty" and a whole lot of apprehensions born from knowledge of poorly implemented outcomes of peers in the industry or just the lack of interest to get into the topic and understand it. Very natural, as it is human tendency to resist any change. One must however realise that given the rapidly changing environment, this change is vital not only for growth but mere competitive existence. The question is not 'whether or not' to change, but 'when' and 'how'? With exposure to the process and a little bit of understanding, people in progressive organizations have realised the benefits.

Interaction with automobile outlets, pharmaceutical distributors, manufacturers and marketers, food retailers, farmer collectives, exporters, start-ups and investment advisors shows how simple analysis of data lying captive in their systems helped them realise the hidden potential to make effective business decisions. Interacting with multi-functional groups in organisations clearly showed that analytics is not to do with only marketing and their customers. It can be equally effective in influencing outcomes in supply chain, HR, production, finance, maintenance, vendor development, QC & QA, you name it. A simple and easy demonstration helped them understand the value of the virtual "gold mine" that they were sitting upon. An illustrative example of two wheelers in chart 1 shows the contribution of brands not just in terms of volumes, but helps derive reasons for the volumes and determine the profitable ones to sell. Chart 2 shows the dispersion of another brand of two wheeler models selling in the urban and rural setting which helped plan sales and inventory accordingly. This rather straight forward aspect of product mix and profitability is often overlooked in many large and growing organisations since priority of achieving sales and volumes is understandably very high.

A pharmaceutical major which was enjoying phenomenal top-line growth, was not too happy with the bottom-line performance. Tweaks to the product mix, concentrating on profitable product lines, identifying new products to shore up the portfolio and reshuffling of promotional budgets brought about lasting benefits in terms of sales and profitability. Discussing an opportunity with an exporter of fresh vegetables, it transpired that if the harvest was conducted in phases, the output can be as high as three times than waiting for the whole crop to attain a certain maturity and harvest it at one go. The trade-off was between finding labour in multiple phases vs. employing it at one go. What proved a winner was the fact that the extra earnings, far outdid the extra labour cost ultimately enhancing profitability manifold. Moreover, this data was simple and easy to obtain. These examples demonstrate the diverse benefits of analytics and data.

By applying simple thoughts and processes, information can be easily harnessed and lead to any of the following: enhancing efficiencies in the system, reducing costs or down time, choosing right prospects for conversion into customers, enhancing after sales service, sourcing repeat business, ensuring the right product to the right customer, reducing costs, improving profitability and so on. It helps to move from plain gut based decision making to a stronger, data based and insight backed decision leading to reduced risk and optimized outcomes. A very simple yet versatile form of analytics is the basic or Descriptive analytics. As we go further into the realm of analytics a wide range of insights can be obtained through Predictive and Prescriptive analytics.There is not one single default approach to what should be the starting point. One has to choose depending upon the data, financial and human resources available on one hand and size of the opportunity that waits to be exploited on the other. Data has the potential to open up completely new types of businesses.

Challenges in understanding the importance of data or implementation of systems and methods to utilise data can vary by sector. Businesses such as IT, ITES or the recent ones such as e-Commerce or web platform based service aggregators have through their business model generated a huge amount of data. They understand that their success depends on how well they mine and utilise the data. They have knowledge, talent and resources, but the challenge is to put all this to good use by driving decision making through it. Older sectors such as manufacturing or companies that are manufacturing and marketinghave a different set of challenges. The older sectors might not have had the luxury of automation in their early stages; many of them must have migrated to ERP systems in the last decade or two and would have settled into the new rhythm only recently. Finding it too tough at their age to change, the senior staff might have waded through the system and superannuated, the middle level guys might have adapted out of sheer newness and curiosity or the TINA factor, while the junior guys would have readily gelled into the new system. In such a situation there is always a clash between old and new processes and personnel. Add to it the attendant fears of redundancy and downsizing due to automation. To this background comes a new concept of data and analytics and one can imagine the effect of the apprehensions cited above.

There are several red flags** one can think of when embarking on an "analytics" journey, but the major ones are quick and fast results, one has to choose between the easy to apply and faster, tangible though smaller outputs vs. process where it is difficult to apply, outcomes are potentially huge but take a longer time to deliver. Then there is the challenge of experience coming in the way of change – typically, IT and data analytics guys come from diverse backgrounds, are tech savvy and not necessarily domain experts, while those already working possess 15-20 or more years of core domain knowledge; these two are tough to converge. Organisations need to define to a fairly tangible degree, what they expect from "Analytics". This will help them hire the right kind of experts and select the right equipment and

platforms and develop an optimized architecture. Missing this input, one will run out of time, patience and finances or will finally develop a solution which does not fully address the needs of the organisation.

Levels of access need to be clearly predefined as certain applications bring on unintended guests. An organization painstakingly developed an automated field reporting system which was meant to free up field executives' time by reducing repetitive and unproductive work. It helped generate actionable reports on sales leads, classify calls into cold, warm and hot, keep tab on customer response over different quarters, follow-up actions and all the related works and won great appreciation from the sales team. Unintended fallout was the interest it generated in the audit team which sought to use this data as a means to keep tab on field activities: who went where, which customers they entertained and how much they spent, how much time it took to travel etc., and the field response became cold. They soon raised a set of difficult requirements and queries which the software by design could not fulfil, leading to a loss of credibility of the backend analytics.

What is extremely important and let's say "critical" is the approach of the Top Management and how they drive it. This is not something of a "we have created a new cell to help us with analytics and everyone is expected to cooperate and make the best use of it". This way, neither will the results be visible, nor the experience be a rewarding one for any of the stakeholders.

It is now very clear that the time has come for use of analytics as a tool for success. What one has to consider is the value data analytics brings to the table and take steps to harness the benefits as a force multiplier.
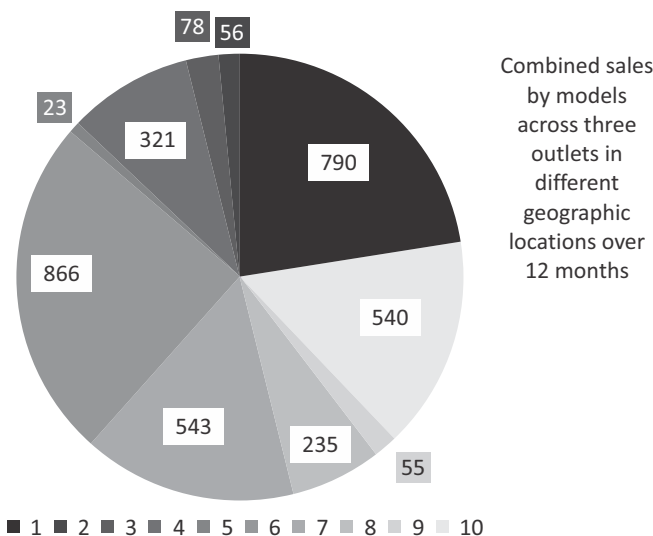
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References and charts:

* The economics of Artificial Intelligence: https:// www. mckinsey. com/business-functions/mckinsey-analytics/our-insights/the-economics-of-artificial-intelligence 19 04 11

** The ten red flags signaling your analytics program will fail: https://www.mckinsey.com/business-functions/mckinsey-analytics/our-insights/ten-red-flags-signaling-your-analytics-program-will-fail 19 04 11

Chart 1:

Top three models contribute to 63% by units;

Sales of model # 7 and # 9 are low being out of favour, model # 3 and # 10 are high end models

Model # 1 is buyers' choice, while model # 6 is high on profitability

Combined sales by models across three outlets in different geographic locations over 12 months

■ 1 ■ 2 ■ 3 ■ 4 ■ 5 ■ 6 ■ 7 ■ 8 ■ 9 ■ 10

Chart 2 :

Model # 2 and 4 are preferred by semi-urban buyers while # 3 and 6 are preferred by urban buyers

Sales distribution by geography and Model

■ Urban% ■ Semi-Urban%
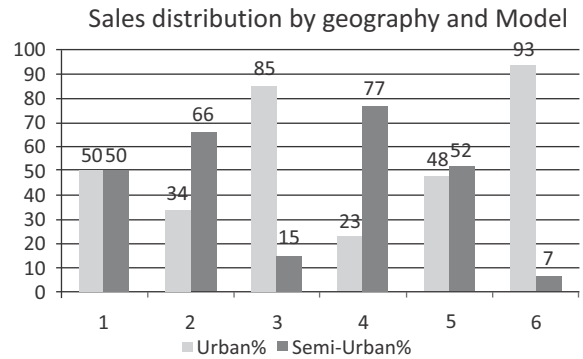
About the author :

Uday Lawate is an experienced professional in Marketing and Sales, with a special interest in harnessing the benefits of data and analytics. His experience of more than three decades spans sales and marketing and brand management in pharmaceuticals, consultancy projects and teaching. He has worked in the pharmaceutical industry in India and overseas and interacted with a wide array of industry professionals. In this article, he draws from his extensive interactions with entrepreneurs and executives from varied fields. The experiences shared are a compilation of observations and conclusions are based on the solutions applied in various projects.