



## ADVANCED ANALYTICS AND THE QUEST FOR RETURN ON INVESTMENT IN 5 KEY POINTS

**Show me the money, well, at least show me some improvement!**

Advanced Analytics as a core enterprise capability is there to serve the business to make better-informed decision. Being able to effectively measure a Return on Investment, or at least an improvement in performance, on the back of an Advanced Analytics project is paramount. In other words, any Advanced Analytics project that is not business outcome driven is worthless.



Advanced Analytics Projects over time have delivered tangible benefits in multiple areas across organisations: Customer and Advanced Customer Relationship Management; Operations and Value Chain; Fraud and Compliance; and Product Development

The complication is that there are a number of challenges directly related to measuring Return on Investment for Advanced Analytics Projects.

In this article, I present some of the challenges and good practices linked to measuring RoI for Advanced Analytics Programmes or Projects.

***Always Start with the Business Problem, Otherwise You are Dead in the Water***

Too many companies approach Advanced Analytics exclusively through data - "Here is my data, tell me what I can do with it". This is the equivalent of looking for a needle in a haystack where a bunch of data analysts approach line of business people with ideas:

- Data Analyst: "With the data that we have, we could really predict churn very accurately"–
- Response: "Well, I am losing less than 0.2% of revenue linked to churn so it's not really on my radar"
- Data Analyst: "Ok I will keep looking"
- Data Analyst: "With the data that we have, we can identify factors that drive customer satisfaction"
- Response: "I already an NPS score above 80% and was awarded the Best Customer Service award for my Industry, I don't really need this"
- Data Analyst: "OK Let me come back to you..."

You understand where I am going. Advanced Analytics initiatives have to be shaped the other way around - start with a business challenge/opportunity in mind, and then explore the data and confirm or adapt the business question to the available data. As a result, it will be much easier to identify the Key Performance Indicator that will be used as a target and reference point for Advanced Analytics Initiatives.



## ***Involve the Line of Business People - Actually Request that Line of Business People Own and Lead the Advanced Analytics Initiative***

The quest for “making better informed decisions” will drive significant change in any business both from a business process and cultural point of view - moving away from the “trusting your gut” mind-set is simply not that easy. Looking at it from the change management angle this means that business people have to lead and embrace the project. For Return on Investment it is also critical for two key reasons:

1. The stakeholders that will recognise the value of the work are best positioned to identify the right objectives/measures/targets for the project.
2. Advanced Analytics initiatives, as any change initiatives include soft benefits (the concept of “making better informed decisions” is important and soft as well) - only line of business people can recognise and sponsor these benefits however hard are they to be measured



## ***By the very nature of Advanced Analytics projects, it can be hard to make a 1:1 association between an Advanced Analytics Intervention and a particular KPI***

Advanced Analytics Insights, when deployed effectively, represent the trigger point of changes to multiple business processes. At the same time multiple factors can impact a particular KPI initially targeted by an initiative if this KPI is too vague. It is key to identify as precise a KPI as possible for any Advanced Analytics initiative, again this can only be done if Line of Business people are involved.



## ***Advanced Analytics deliver significant Return on Investment...mainly in the form of many incremental benefits realised over time***

In isolation, any Advanced Analytics project, when well scoped and executed, helps improve business performance by saving a couple of % from an efficiency perspective or increase revenue by a couple of % without significant Product/Service R&D investment. The sum over the years of these improvements across the organisation can add-up to tens of % of savings or additional revenue. This is the reality experienced on the ground by those organisations that have been successful in developing an advanced analytics capability.

These incremental gains have two significant impacts on the way organisations should look at Return on Investment in Advanced Analytics

1. If the approach to investing is “let’s try a 1st project and see whether we can wow people with the Return on Investment”, likelihood is that you will not go further than the 1st project, and as a result forego any potential future benefits that will make a huge difference to the business
2. A programme view for Advanced Analytics is required, not one project and then see but 3-4 small initiatives that coupled together demonstrate the beginning of a successful story - we call it Think Big - Start Small



## ***It is Hard to Quantify “Making Better Decisions” or “not making bad decisions” over the long run***

Advanced Analytics as a core enterprise capability is about making better informed decisions. The right metrics linked to the right projects will help identify performance gains - moving the dial initiative. Then over time this



core capability is used across the organisation to move the dial and to avoid bad decision, effectively becoming a great piece of infrastructure. Avoiding bad decisions is hard to measure but it is probably the biggest benefit of all.

When an organisation reaches this stage, it is key to start measuring “time to analytics solutions” as the key benefit and focus on how effective the organisation is at using this piece of Infrastructure.

So, to wrap it up, let me summarise the key messages:

- Start with a business problem, this will make the identification of KPIs and targets much simpler
- Get the business people to lead the Advanced Analytics project, this may require a lot of education, but it will pay significant dividends in benefits realisation and benefits measures
- Systematically invest the time to define very precise target KPIs
- Be patient and Think Big-Start Small. It is about a programme, not an isolated initiative
- Accept that over time Advanced Analytics will become a powerful piece of Infrastructure

## About Presidion

Presidion have operated for over 20 years and have been the pioneers in implementing cutting edge predictive analytics solutions with top UK and Irish organisations. We specialise in helping organisations leverage their data to deliver tangible practical returns on investment, aligned with their strategies.

Presidion works with both government and commercial clients, currently partnering with hundreds of organisations enabling them to understand what has happened in the past, anticipate what may happen next to take appropriate and timely strategic decisions for their organisation.