



## **How does my business achieve best-in-class insight?**

Almost without exception every organisation is looking to achieve an optimal performance with the resources it can deploy. These resources most commonly include a mix of people they hire, research and development they undertake, physical locations they open, stock they buy, and the marketing cost they spend. Once these resources are in place it's the board's responsibility to make sure that the shareholder returns from this investment are the greatest possible. In our experience, you certainly will get a long way with a strong leader and team, and often you may get there with a bit of luck, but the only way to guarantee that maximum performance is through using data derived insight.

When we work with businesses, we often ask them to plot themselves on this insight matrix; it covers the level of sophistication of insight within a business and how widely this is used / the spread of influence within a business:

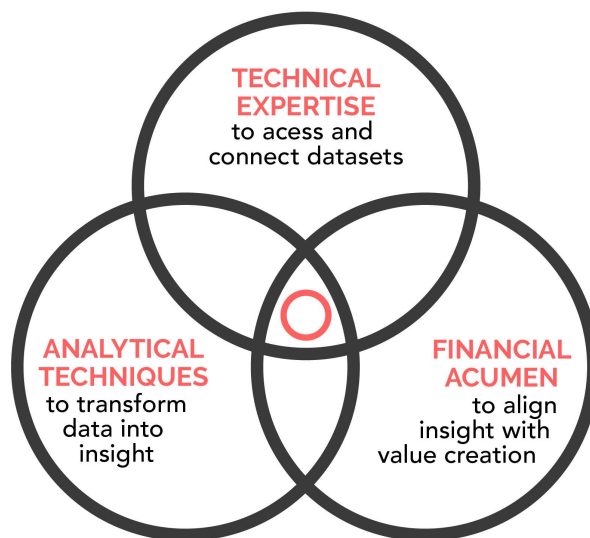
We have included an approximate percentage as to which category businesses sit. Most have "inadequate insight" with a low level of sophistication and a low level of usage. Some have a low level of sophistication but are using it everywhere which can lead to poor decisions frequently being made. Perhaps slightly better are those organisations with a high capability but in pockets in the business, but that will clearly constrain the results. Finally, there are those business that

have a high level of sophistication and a widespread usage where insight is intrinsic, and its influence is world class. Where is your organisation?

We have worked with many businesses over the years and it is very rare that we come across those where we have observed them reaching the “intrinsic insight” level. In this white paper we examine the reasons why most organisations fall short, and give encouragement as to how this can be achieved both quickly and cost effectively.

### **The three components needed to deliver market leading insight**

There are three things that need to be in place in an organisation for them to obtain a top quartile use of insight; a technical expertise to access useable data, analytical techniques to derive insight from that data, and a financial acumen to align this with shareholder value creation. It is only when organisations have an individual, or team, that demonstrate a combination of these that they will be able to become world class.



### **Technical Expertise**

The pace of technological change, and its influence over commerce, has been exponential over the last three decades. We remember manually running Z-reads on tills and phoning them through to a central function each evening for them to collate results in the 1980s. In the 90’s barcodes and business wide epos systems allowed the data to be collected but we still struggled to access this data and the processing

power to dynamically create insight. In the new millennium, and with the rise of e-commerce, we suddenly had even larger quantities of clickstream data that could be examined and the tech solutions to help access it.

As these shifts in the quantum of data evolved, the role of the financial analyst was born, later to be joined by the data scientist. These individuals would rely on a variety of routes to gain their insight:

- Some relied on Microsoft Access, enabling linkage of different datasets, but needed a SQL developer to obtain the data in the first place
- Other businesses also followed this SQL+ approach but used Microsoft Excel as its capability increased
- Finally, if they have the money to do so, others invested in specialist BI tools such as Tableau, Qlik, Sisense, Looker and Microstrategy to name a few.

The foundation of all insight is a clean dataset for the business to use and ownership of this. In most businesses there are cleansing steps and filtering that takes place and most analysts will tell you that historically this would take most of their time. Once you have this, the data needs to be refreshed with regularity and the tools needed to extract the insight need to be versatile and accessible throughout the business.

In our opinion a game changer in this process has been Microsoft Power BI. Microsoft have parked their tanks on the lawn of the incumbent insight solutions and have a strategy to make Power BI the go-to solution for data manipulation in the same way as Excel is the go-to solution for spreadsheets.

- It has an ability to connect to data and transform this by replicating several steps and even has its own advanced language to do so - M Query
- Once the data is cleansed and accessible it has an advanced data manipulation language called DAX, which can be hard to get your head around at first, but once mastered we haven't come across an insight task that this can't achieve
- The visualisations available, both proprietary and third party, are amongst the most advanced we have seen

- Its integration into the overall Microsoft stack makes it accessible to most businesses
- Its priced competitively with an individual licence priced at less than £10 a month.
- It is constantly being improved with an aggressive release schedule

As such, cost is no longer a barrier getting in the way of world class analysis.

## **Analytical Techniques**

We have lost count of the number of businesses that we come across that are making decisions based on a two dimensional Excel tables with a few metrics in them, typically as this is the only choice they have been presented with. Most businesses have data sets that cover multiple attribute dimensions which clearly require a different approach and set of techniques. A retailer, for example, may have time, customer, store, product, category, vendor to name a few.

In our blog “The 4 principles of a data driven organisation” we detail some of the techniques we have collected over the years to help generate insight from data. These include:

- Banding values together to create new attributes
- Breaking values out into their constituent parts
- Using mix analysis where attributes have disparate values and where you can control the mix of those attributes
- Use combinations of values to create new value as a shorthand
- Extrapolating forward using past performance
- Customer Accounting
- Cognitive Analytics
- Cohort Analysis

With increasing demands on decision makers time its vital that you can provide them with the insight they need, and this is accurate, timely and convenient to use. The great news is that the technical advances above have enabled you to cost effectively escape the bounds of spreadsheets

and tables into a world of powerful visuals, and used in the right way, these can fulfil their objectives.

## **Financial Acumen**

The path to becoming a world class user of insight to optimise shareholder performance will certainly involve several non-financial performance indicators. Most businesses fail to make the connection between these indicators and their financial performance. The obsession with the conversion rate of a website is valid, albeit that this largely depends on the varying quality of traffic you send to it the first place. However, we have lost count of how many times we have had a conversation with clients about 0.1% or 30 basis points without those involved discussing the financial implications of this variance. Moreover, the conversion rate of traffic seeking a high price point, high margin, low fulfilment cost item will have a different impact on a businesses performance than a low price point, low margin, high fulfilment cost item.

It's not often the case that you would be considering a KPI for reasons other than the financial impact derived from its movement and yet in most organisations there is a reluctance to convert the KPI variance into a financial impact value e.g. if a bounce rate has increased by 2% with a financial impact of £40,000 you would be in a much better place to know where to focus your attention if comparing this to an average order value increase of £5 with a financial impact of £20,000.

What gets in the way of this is a lack of general finance literacy which is likely to be the case if you haven't come across finance in your studies, unless you go out of your way to learn and understand the fundamentals. We have come across many talented leaders and boards whose equally talented directors have a mental block when it comes to finance, with the exception, hopefully, of the CFO. If you fail to create alignment between the business performance indicators and their financial impact, then the chances of maximising shareholder returns will reduce.

## **The trinity of success factors**

We have only come across a small number of individuals who demonstrate all three of the components mentioned above. An even smaller subset of those can use these to great influence in the

organisations as they lack the influencing skills to create the desired cut through. So, in the absence of these rare individuals, business must rely on two sources: greater teamwork or external help.

If relying on an internal approach getting IT developers, data scientists, and accountants around a table to come up with a cohesive insight strategy is a complex task for any organisation (although the night out afterwards would be interesting to watch). This is because they each will approach the problem from their own and often conflicting perspectives.

- When finance led there is often an obsession with reconciling every number to the last penny which may get in the way of some great directional insight.
- When IT led it can trigger architecture concerns which stand in the way of agile tactical analysis.
- When it is led by the data scientists, the solutions are often more complex than required and hard to communicate to the rest of the business.

We have seen it succeed where there is strong leadership at the C Suite level and just below, where there is enough authority and respect to drive changes through.

If you opt for external help it typically comes in two forms: consultants or SaaS insight providers. The best model for a consultant relationship is one where help is provided to facilitate the design and operation of your internal insight teams for lasting effect as opposed to a series of undoubtedly expensive one-off exercises. SaaS insight providers (of which Omnocommerce is a thought leader) deliver solutions that accelerate your insight competency in a cost-effective way.

Omnocommerce stands out as not only do we know what data you need, we also provide it such a way that allows you to drill down the hierarchy of understanding, as and when required, and all analysis is aligned with creating additional shareholder value. We give you a Swiss Army Knife of analysis AND tell you when it's time to unfold the gorgor and not the knife blade. We think we do analysis differently, and we would love to demonstrate this to you.

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