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From Intuition to Data Analytics – How Small Businesses Can Build Rapid Analytic Capabilities

You have to make decisions – fast!! Your large competitor has just launched a new product targeted towards your best-selling item at an aggressive price. It is at this point that you realize you don't have the marketplace insights to make an informed decision. And you also realize that you don't have them because in today's data-driven marketplace you don't have the analytical infrastructure needed to compete.

Building a world-class analytic capability does not necessarily require an investment of millions of dollars in technology, software, and people. If done correctly, and in a thoughtful manner, even small companies can conduct analytics and gain the same marketplace insights that their larger competitors have. In fact, analytics can have a more transformative impact on smaller, more agile firms.

The key is to be focused and efficient and to make smart choices.

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FOCUSED

It is important to be clear and focused on what is driving your analytic priorities. There are three potential areas of focus for building an analytic capability in an organization – (a) customers– for example, improving service levels and increasing customer performance. (b) the company itself – for example, customer retention, operational efficiencies, technology imperatives, and (c) competitors – for example response to pricing, assortment, new product innovation, need for competitive differentiation. Most analytic priorities for an organization fall into those broad categories.

2

EFFICIENT

For smaller companies, creating a gating mechanism to evaluate analytical priorities is a crucial step. This will drive the ultimate analytics infrastructure and the associated costs. Care must be taken to focus on the highest leverage initiatives that provide the greatest "bang for the buck". Key criteria such as customer impact, speed to implementation, business impact (short and long-term), level of investment required and access to analytic capabilities must be considered in evaluating these priorities.

3

SMART CHOICES

The top priorities should be projects that are customer or company driven that have a short-term impact. It is important to show the ROI from these short-term projects in order to create organizational momentum and enthusiasm for continued investment in analytics. Longer-term capability build-up should take second priority due to the time and investment involved. This does not imply that the longer-term projects are less important but highlights the need for short-term wins as discussed above. It is important for senior management to play an active role in building analytic priorities. This sends a message to the rest of the organization that a new analytics-driven culture is now in place.

STRATEGIC OBJECTIVES

Criteria	Metrics
Customer Adoption Likelihood	1 = Low 2 = Medium 3 = High
Opportunity to Strengthen Customer Relationships	1 = Low 2 = Medium 3 = High
Opportunity to Retain Customers	1 = Low 2 = Medium 3 = High
Opportunity for Competitive Differentiation	1 = Low 2 = Medium 3 = High

BUSINESS IMPACT

Criteria	Metrics
Time to Business Impact for Customer	1 = >6 months 2 = 3-6 months 3 = less than 3 months
Size of Business Impact for Customer *(to be defined)*	1 = Low 2 = Medium 3 = High
Time to Impact for Company	1 = >6 months 2 = 3-6 months 3 = less than 3 months
Size of Business Impact for Company *(to be defined)*	1 = Low 2 = Medium 3 = High

INVESTMENT

Criteria	Metrics
Analytic Investment	1 = Low 2 = Medium 3 = High
Data Investment	1 = Low 2 = Medium 3 = High
Systems Investment	1 = Low 2 = Medium 3 = High
People Investment	1 = Low 2 = Medium 3 = High

Now you need to execute. That demands you be nimble and responsive to the marketplace. As Mike Tyson said, "Everyone has a plan until you get punched in the face". You will get punched in the face!! You need to be ready to defend against competitive action as well as take the right offense when needed. To do so, your analytics need to be ongoing and updated over time – not just episodic. They need to give you the pulse of the market and how your business will be impacted when customers and competitors take actions. For example, recently a PE owned confectionary manufacturer was able to drive margin increase once they started analyzing their promotional events on a regular basis. They were able to move away from expensive, less effective promotions to digital shopper marketing events with the retailer which also positively impacted their distribution and velocity.

If Covid-19 has taught us anything, it is that smaller organizations need to be nimble and adapt rapidly to customer and competitive changes. Having the right analytics infrastructure in place will go a long way towards ensuring that.

Effective execution of the analytic plan is as, if not more, important as developing the right plan

NorthLight Analytic Partners is an analytics firm focused primarily on helping Private Equity Firms and their Portfolio Companies achieve growth via advanced analytics and technology. We work closely with these firms to build and implement these capabilities and gain marketplace advantage. For more details, please go to www.northlightanalytics.com or email info@northlightanalytics.com.

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